



how to do business.com

21 Business Stories

Notes from a business journey

Dr Alan Rae

Founder

Howtodobusiness.com

How this book came to be

Earlier this year I treated myself to a day course on presenting myself better run by Michael McNulty – a friend and colleague. The course was great by the way – more details at <http://www.theperformance.biz/>

The exercise that took up most of the afternoon meant that having got our story straight, we had to tell it in turn in an unfamiliar setting. We had ladies acting as Judges – and as Joan of Arc and we had men acting as UNICEF ambassadors, sculptors, ring-masters and preachers. At a certain point I realised I was being saved up for the finale. When it became my turn I was told

“Now is your chance to be a Guru, Alan. We want you to deliver the Sermon on the Mount”

“Gulp” I thought so off I went and to be honest it was a bit abstract and I was losing them. “Tell us a parable” said Michael’s co-presenter. Staring into space I managed to dredge something up after the longest 5 seconds I’d had for some time. But it was a good story. And they liked it.

So I thought I’d re-write one of my earlier efforts – keeping the ideas although there’s quite a bit of new stuff here – but giving concrete examples from our lives in business since 1981. So this is How to do Business in 21 chapters - I hope you like it too.

About me - and the businesses.

Born to innovate in 1948. Read Biochemistry at Oxford ending up with a D.Phil. Took time out to rebuild a ruin in Shropshire between 1974 and 1976 then worked for Adamson Butterley in Telford who made Steelworks Cranes. Started in Market Research and became Marketing Manager specialising in new products. Thence into business.



Business number 1. Jentech Services,
Bridgnorth. Friendly local computer dealer.
Marketing Director. 1981-5. Employed 25 Turnover £.75m

Business number 2 Ai Systems, Skelmersdale. Managing Director,
AutoCAD dealers/ developers. 1985 -1996. Employed 10 Turnover £.75m

Interlude - Sabbatical on Executive Studio project.
Flagship Government funded project to train and demonstrate IT and e-business. Hounslow. Operations Director. 1996-2001

Business number 3. Executive Studio Ltd. Management buy-out of the project. Content development, training course development and research projects. E-business advice. Knowledge Director 2001-4 employed 6.

Business number 4 Free Spirits Ltd. Joint MD. Internet traders and consultants. 2004- . Currently employ 10 turnover just over half million.

Free Spirits carries out the following activities

Research as <http://www.aiconsultants.co.uk>

Small business advice & consultancy as <http://www.howtodobusiness.com>
<http://www.punchaboveyourweight.com> and <http://www.1manbrand.co.uk>

Internet Trading as <http://www.Plants4presents.co.uk>. and
<http://www.ladybirdplantcare.co.uk>

Organic produce as <http://www.fletchingglasshouses.co.uk>

For help with innovation you can email me at alan.rae@aiconsultants.co.uk

Or follow me on <http://twitter.com/alanrae> and
<http://dralanrae.wordpress.com>

21 business stories.

How this book came to be.....	2
About me - and the businesses.....	3
21 business stories.....	4
Being a free spirit.....	5
Who are you and what are your values - business as self development...	7
What's your story - Linking your values to the market.....	9
Where do you fit? Waves and the weather.....	11
Tell it on-line.....	16
Tell it in person.....	19
Motivation - how other people think and feel.....	22
Attracting, leading and keeping talent.....	26
Keeping your balance.....	29
Just enough structure.....	32
The business growth path.....	35
Crisis - what Crisis?.....	39
Keeping the score.....	44
Onwards and upwards - learning to learn.....	50
Trading with larger organisations.....	54
How networks function.....	57
Building Trust.....	61
Building Gangs.....	65
Working Smarter.....	69
Cash in.....	73
Cash out.....	77
Postscript - Effective networking and marketing.....	80

Being a free spirit means living life on your own terms. This means you need to know how to earn an income in a way that's under your control and which reflects your interests and values.

These stories tell you something about what it takes to achieve the level of self sufficiency you need.

Once upon a time there were 2 people who worked together. They left University in 1974, bought a ruin in Shropshire and re-built it to minimise demand on the world's resources. They lived without electricity for 6 years, had a composting toilet and kept pigs, goats and chickens. At the same time they needed to earn a living so to start with one was a town planner while the other worked on the house. Then he got a job in marketing in a big engineering company while she had children. Then in 1981 they were clear that they needed control of their own lives so they decided to set up in business.

Their first trip out was with another person who'd done it before. So they listened to what he said – and for a time things went very well. They developed their own software, sold computer systems and at the insistence of their colleague went into retail and home computers (this was the early eighties when nobody knew what you were doing and you could get 3 suppliers to each pay half your marketing costs and make a profit on that alone!). Soon they had 3 locations and 25 people working in the business. However they over-reached themselves – bought lots of home computers for Christmas but couldn't sell them. 10 months later they had to close the business.

Their colleague decided to close down and reopen. 25 years later he's still there. Our 2 moved 100 miles up the motorway and started a specialist computer aided design dealership which lasted for 10 years and needed to reinvent itself 3 times. They employed 8 people – 3 sales, 3 technical, 2 admin - developed specialist software and trained their team up to be self-sufficient. However in trying to expand the company they went a bridge too far and had to close it down. The team however continued for another 7 or 8 years.

After that they worked separately, she got a job programming manufacturing software in browser interfaces. He got to set up a flagship Government funded IT training and demonstration centre. This led to

developing many e-business training products and an eventual management buy-out in 2001, He got her back to do the IT for the company and they did lots of good things developing training materials for the DTI's UKOnline for business project and carrying out research projects.

However as things often happen the angel who had put up the money in the first place took too much out again too soon and needed to merge with another organisation. The management style of the new organisation was corporate / abrasive and after about 9 months our 2 heroes had had enough and jumped ship.

So yet another cold start. He carried on with what he was doing – research and training projects around e-business and other innovative areas. She decided it was time to stop talking about it and start doing it. This business, <http://www.plants4presents.co.uk> expanded so that within a couple of years we burst out of the house. The garden was full of plants, the garage was full of packaging and every time you went upstairs you knocked over a stack of wicker baskets. One more Mother's Day and the neighbours would have strung us up from the lamp posts.

So we moved – to a nursery with 2 acres of derelict glasshouses. 18 months on we've just finished our 4th year with this business, have turned over nearly half a million, employ 8 or so people, and have added organic veg and online biological controls to our portfolio. Future plans include getting the nursery itself back into commission, moving to sustainable wood heating, recycling the rainwater (you get a lot off 2 acres!) and generating some passive income from all the knowledge products that the consultancy business has generated.

So full circle but a notch or two up the spiral.

Most of what follows is stuff about business that we found out along the way. Much of it was learned by doing it but a good chunk came from having the luxury of being in a business training environment where I was exposed to some useful ideas about what good practice might actually look like and having the good fortune to work on projects that paid me to work through these ideas.

So that's what these stories are about.

Who are you and what are your values - business as self development

Setting up in business is all about following your passion – for some people it's money but for most of us it's about having a vehicle to do something we love to do. In our case it's about doing things that are innovative – most of our work has had a technical dimension and has centred on introducing the technologies of the day.

I like to research new situations and develop useful tools. Some of the things I've developed or have helped develop include

- 4 Businesses
- A dock tractor
- A suite of software to automate drawings and cutting lists
- Many IT, marketing and e-commerce workshops and courses
- An A3 qualification pad to help PCWorld sell more effectively to small businesses
- A comprehensive development programme for business owners

That's what I do – I just find it fascinating and have been lucky enough to earn a living by finding people who respond to my vision of how to move their companies forward. In the same way, your vision and Brand for the business is going to need to connect you with the people. So you need to think about these connections consciously and be clear about what you want to do and how you want to serve your customers.

Increasingly customers are looking for authenticity – so you need to have a clear sense of what is important to you.

Our company is called Free Spirits Ltd. What we really wanted to do was to use technology and people skills to earn a living in a way that let us live our values. The first thing we did was write a list of 20 core principles each and combine them into a master list of 10.

Our values recognised that the business exists to benefit us, our customers and the world at large.

- a. It needs to make a profit
- b. It needs to be ethical – honest and straightforward
- c. It needs to have a simple to understand purpose – and stay focused on it
- d. It needs simple elegant processes that get better
- e. It needs to know how to identify and surf opportunity waves and continually develop new products and services to attract our customers.
- f. It needs to communicate with its customers easily
- g. It needs to choose the right staff and associates and develop them
- h. It needs to be easy to manage from anywhere
- i. It needs to stay out of its own way
- j. It needs to be sustainable and renewable

So this was our list – we wanted to be an example of how to combine the best of technology with good people management – essentially develop a model company – and show / teach others how to do the same.

What would your list look like?

What's your story - Linking your values to the market.

Your Brand displays your promise to the market. Most of us are in business because we have a passion for something that reflects our values just as we described in the last chapter. However for us to land the brand, we need to be able to make that connection with our customers. This means making sure that our values and needs connect with theirs so that it's easy to articulate and has a bearing on something real in their lives.

So the Plants 4 Presents brand encapsulates

- Internet delivery

- Beautiful Plants

- Building a relationship with a friend or loved one.

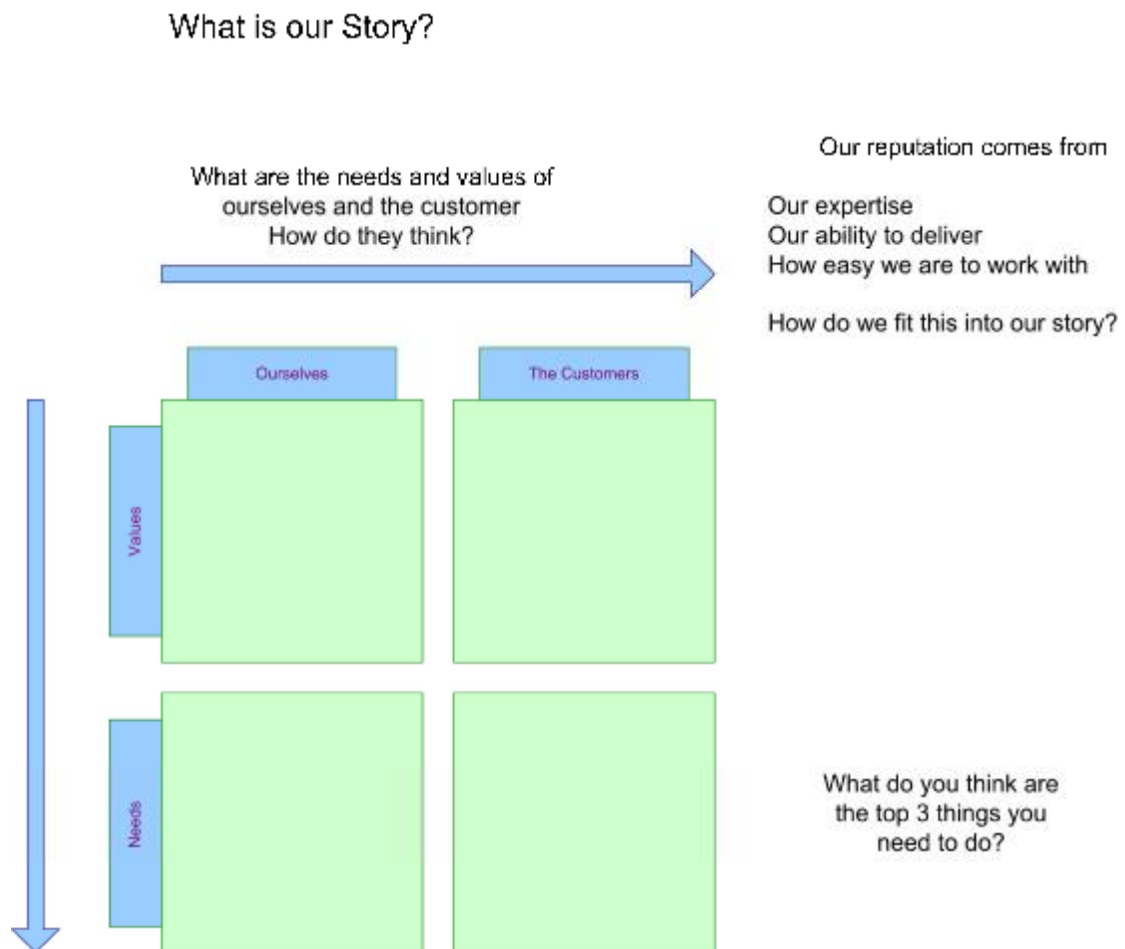
I call this "What's your Story". Your story has to account for why you are doing this, and to explain what you do, why and why it's good for the customer. Sometimes this can be quite simple. When we were piloting our Fletching Glasshouses business, I had to explain to Greengrocers why it was OK to deal with us – even though we clearly didn't know what we were doing. I just explained that we had acquired the glasshouses as part of the expansion of another part of the business and we were looking to run a pilot to see if we could make use of the facilities in this way.

This established that we were serious business people rather than superannuated hippies (which of course we are – but that's another story) who could be trusted to give it their best shot and who would know how to contain the downside if it didn't work out.

The point about a story is it has to sound authentic. Experience teaches that for most of us the only way to do that is to BE authentic.

But it needs to be expressed in a way that relates to how the customer thinks and his values. We've evolved a simple structure for dealing with this – much of it's based on the work of Dudley Lynch and we use his BrainMap and MindMaker 6 Graves Spiral tools to help our clients obtain a working model which is deep enough to be satisfying but simple enough to be useful.

I use it in a workshop that helps people connect with their clients. We use a tool that looks like this.



I used this once with a firm of builders – they specialised in Scientific Buildings and high quality refurbishments of up-market flats. However they thought of themselves as “Just Builders”. It turned out that their key values and the customers coincided about “a competent job, done on time at a reasonable price with a reasonable way o doing business”.

This translated into “Traditional values in the modern world”. We have developed this approach into a full Branding and Vision workshop which covers both story development and the outlines of capturing image in shape, colour, sound and font.

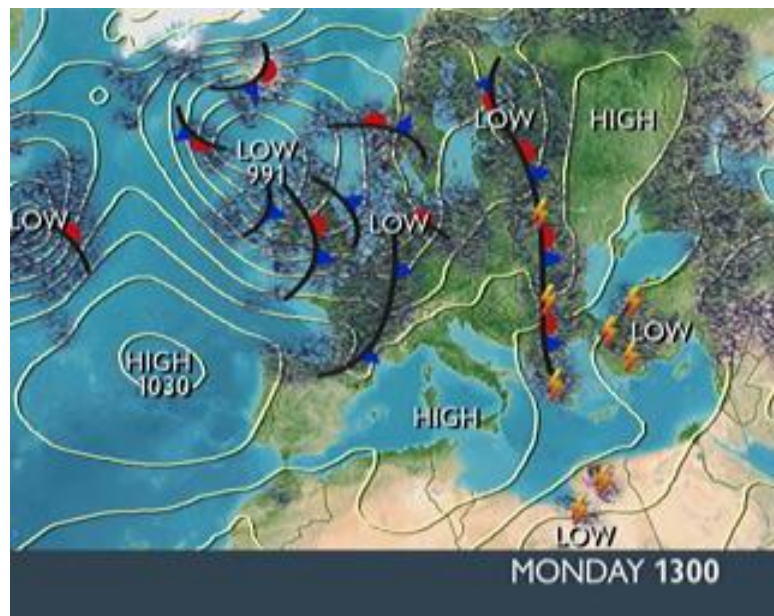
Where do you fit? Waves and the weather

It is no use having a good story if no-one wants your product. You have to be in tune with where the market is and you have to organise your resources to deliver where you have the most leverage.

Sun Tzu says in the "Art of War" that if you know yourself, know your enemy and know the terrain in which you're going to fight you're more likely to win than if you don't.

However the reality in today's business world is that we don't have a stable terrain in which to engage.

The truth is it's more like the weather map. It doesn't stay stable. The peaks and troughs wander about all over the place and your task as a business owner is to thread your way through this landscape on a stable path - tricky!



Large organisations are like highs - they progress in a stately fashion in a more or less straight line across the landscape. Lows are like small companies that have to scurry round the outside. Where systems collide you get turbulence and thunderstorms. It's constantly changing and you have to be alert to be in the right place at the right time in the business landscape.

But there's another lesson we can learn from this. You can see that there is a pressure difference between high and low - 1030 vs. 991 in the picture. This means that there is a potential that exists - for a while before it evens out. This is like a market's window of opportunity.

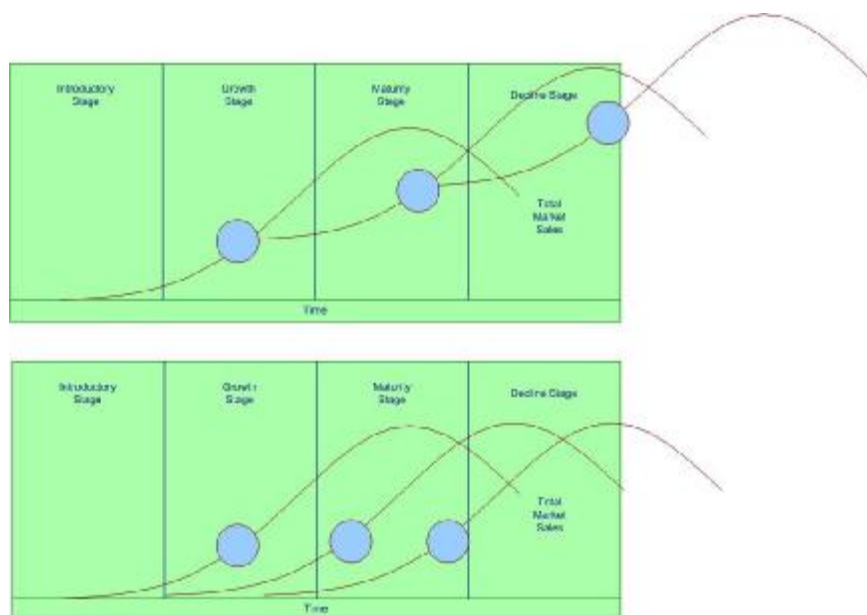
Your task as a small business leader is to identify the next gradient to surf that will take you forwards.

This is an accurate description of what we do when we look for the next wave of re-invention. In today's business world the pace of change is such that we have to re-invent ourselves every 2-3 years.

Market opportunities follow an Iron Law of commoditisation. When the idea is new there is money to be made. You can behave informally and suit yourself as you will be likely to be selling to fellow innovators. However as time goes on more people come into the market, the product becomes a commodity depending on slick delivery mechanisms to secure the ever thinning profit. If you stay with it you'll eventually go over the back of the wave and go bust. The most complete explanation of the dynamics of this is Geoffrey Moore's Inside the Tornado which I strongly recommend to you.¹

However you don't have to go over the back - you could look out for and catch the next wave. You see, as a small business, you will have acquired a team of people whose skill-sets work profitably at a particular sweet spot on the curve. In our own case usually where bleeding edge becomes leading edge. Much of what we do is to spot the arriving trend and civilise it for just-after early adopters. Where you can profitably do ad hoc, interesting original work.

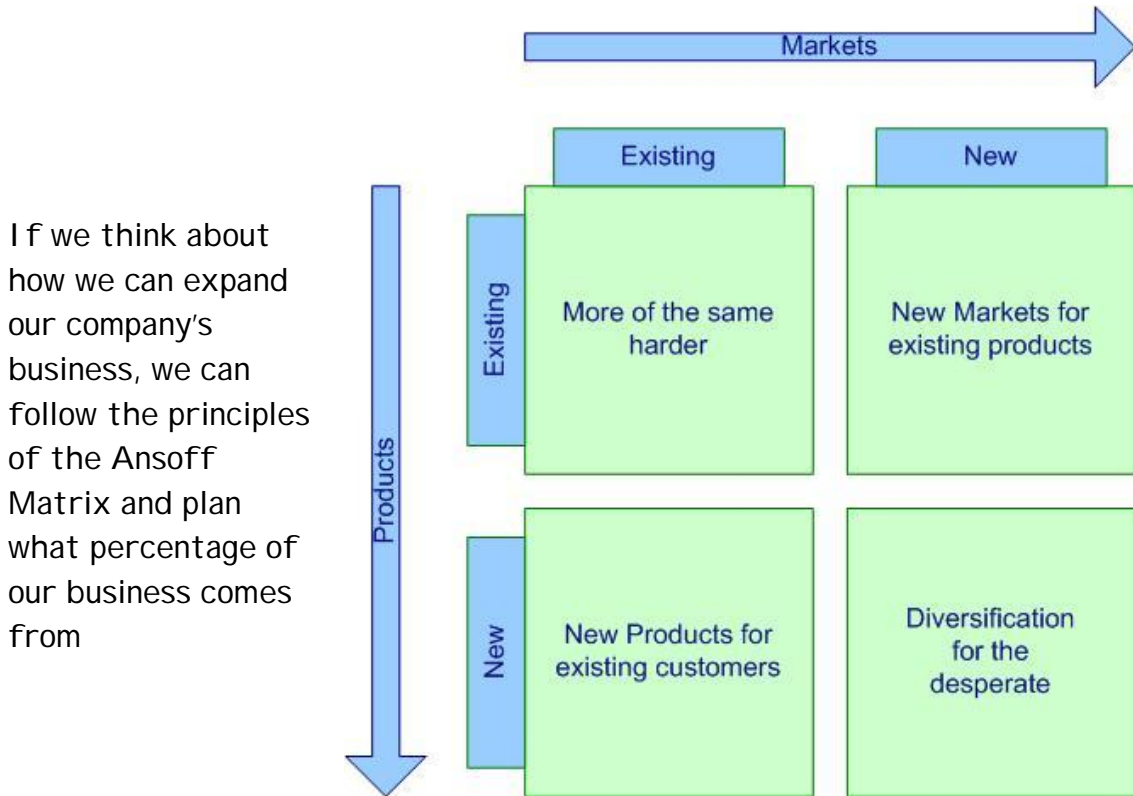
If you stay too long you become increasingly uncompetitive as the corporate thought machine moves in. However if you can move from wave to wave you can cope with this. Just don't leave it too long - if you miss a wave you'll be in deep trouble. Been there J



¹ Links to recommended books are at <http://www.howtodobusiness.com/Publications.aspx?cat=M>

So how do you catch the next wave? Ask the Audience

Because we always need to be scanning for new opportunities, a company looking for growth needs to be systematic in the way it goes about scanning the landscape.



- k. Selling more current products to our current customers
- l. Selling new products to our existing customers
- m. Selling our existing products to new customers
- n. If we're desperate selling new products to new clients.

It's harder to find new customers than to find new products that our existing customers who already know us might want. However 3 times as many companies go that way, mainly because they're so wedded to their own babies (as it were) that they lose sight of the market realities.

So let's think about how we can ask the audience. We can, as always, do this in 2 ways - online and in person. People make a big mystique out of Market Research but if you apply a bit of systematic commonsense you can make some real headway quite easily. (I started my business career as a market researcher for a large engineering group and am currently an

Associate of the Market Research Society. Research has paid the wages for the last couple of years so I do know a little bit about this) As the Owner Manager you're ideally placed to carry out some informal qualitative work. Don't delegate this - you need to feel what's going on. But it will be easy. If YOU ring up one of your established customers, tell them that you're interested in what else you could develop to help them more and that you'd like to come in and see them - they are almost certain to say yes.

But you need to be prepared. What you want is to hold a structured conversation. So create a questionnaire - I'm not talking about multiple choice tick box stuff here - what I want you to do is brainstorm with your chief collaborators some open ended questions which will tell you what things the customer isn't getting that they want and what new trends they see emerging that they will have to deal with.

Then just go and have a conversation with them - buy them lunch and ask them if they don't mind if you tape the conversation. Tell them you'll get your PA just to type up the transcript for your own use. Olympus and Sony do perfectly usable inexpensive digital Dictaphones and don't worry about them saying yes - if you have a good reason which you have they'll agree. I know - I do it all the time.

You need to spread your net wide rather than deep so I suggest you talk to 2 long established customers, 2 of your biggest customers, 2 new customers, 2 of your most adventurous customers and 2 current prospects. Aim to talk with them for about an hour. You might also talk to a couple of industry or business experts who you have reason to believe are reliable to get another perspective.

They'll be happy to talk to you and you should then have a really clear idea of what's current.

The online variant gives you 2 ways of going about it. If you are in the habit of using your web-site to collect email addresses (you should be) then you can organise an online survey using zoomerang or survey monkey. I would suggest you use this as a follow up quantitative phase to your original informal phase. This needs a little more care in constructing the questionnaire - if you need help with this you have only to ask.

The other thing you can do is use your Google ad-words campaign as a research tool to identify areas of potential traffic that you are not reaching. We'll talk a bit more about this later.

So to move onto the development phase you next have to do some systematic screening. We have some systematic tools to help you which were originally developed for the Ukonline for Business publication "Succeeding in the Networked Economy". You need to pick 2 or 3 to progress. Ones that don't fit your development skills you can offer for external development or bought in if suitable products are readily available.

If you are marketing on line, just ask the market what it wants for a test. Our original vision included testing beer for presents, food for presents, herbs for presents as well as plants for presents. It turned out that Plants for presents was what the market wanted.

But only progress things that fit your overall brand. You don't want to dilute your market presence. So in our case, we found that organic veg and biological controls fitted well with our declared values and style while retailing any old gardening frippery didn't.

Tell it on-line

Telling it online is about condensing your story for people with short attention span – the attention bankrupt as someone said to me this morning.

People don't read online – they scan. So the view is that you should use short sentences, bullet point and don't use flowery language. People often get seduced by the theatricality of the technology and forget that a web page is just a step in a sales process. It needs to end up with a call to action and a result. That could be a direct sale as in our <http://www.plants4presents.co.uk> business, it could be a download of a white paper or a free planning tool as we do with <http://www.howtodobusiness.com> or it could be a direct phone call or email.

In any event, you need to make the site easy to navigate and easy for people to give you the result you want.

But that's after they get there. On line marketing is mainly about being found. There are various ways to engineer this. It could be achieved by links from other people's sites, by buying traffic using pay per click or by people just knowing you so well they type in your company name. Or you can be found by a search for you or your product using Google or Yahoo.

In this article I'm going to give you the basis of how to make yourself a bit more attractive on-line. This is largely about understanding what search engines are looking for so that you can give it to them. In essence they are looking for verbal information – they can't see pictures. They are in the business of delivering accurately searched information. This means they scan a page to see what it's about to decide whether it should be served up as an answer to a search – something that someone types into that little box on the Google front page.

In order to look for the best match it can it looks at the copy on your page to see how closely it matches what was asked for. It tends to work by analysing phrases known as keywords and these can be used by you to leverage your on line performance.

To be systematic about this you need to be clear about what your story is as we discussed earlier.

Then you need to break them down into keywords. These are the phrases that Google uses when it's searching. Once you've got these, then you can test them.

The cheapest form of market research known to man is Google ad-words. Because you can use it to ask the audience what it wants. Put simply, Google lets you bet on a phrase – let's say business plan or marketing plan. You can say that if someone uses this phrase I want you to show my advert and if the ad is clicked on I will pay you up to 20p or whatever you think the lead is worth.

So you brainstorm the phrases you want. There's a tool in Google that lets you generate more of the same – so you can test several hundred phrases at the same time. Then you create an ad. It's quite tight. You have 25 characters for a headline and 2 x 35 characters for the body. So doing this will improve your copywriting skills.

You set your budget at something modest - £3 a day will cost you £100 in month, £5 a day will cost you £500 over 3 months – and let the campaign run. By testing the words against the ads you can home in quite quickly on the best keywords for you. The full details of how to do this are in our PunchaboveYourWeight workbook – see <http://www.punchaboveyourweight.com>

Having got these you can put them in various key places. Links on other people's sites. In your autosignature on blogging spaces like Ecademy. And in any other on-line spaces you control. Like blogs, you-tube channels, Squidoo lenses etc.

Let's be clear about what we're doing here. This is like branding. What phrase do you want to own in the customer's mind. Except that here it's about what phrase do you want to own in Google's mind. For example I want small business marketing course – to be associated with <http://www.1manbrand.co.uk>. For a long time it was at number 1. You associate it by making sure that google finds it.

Anchor text is important. If I create a link like this [small business marketing course](#) then small business marketing course sits over

<http://www.1manbrand.co.uk>. Small business marketing course is called the anchor text for this link. Remember this – it's important.

So what you need to do is to get this link with the right anchor text all over the internet. That will coach Google to send anyone who types in small business marketing course straight to you. In an ideal world I would like to have that link on the front page of the BBC – referring sites don't get any better. However my powers of threat or persuasion are not enough for me to convince the BBC webmaster to make it so.

So what can we do? Well Punch above Your Weight is all about how to create various parallel presences all over the internet where YOU are the web-master and can control the linkages – over and above anyone that you can persuade.

It also tells you to use these best keywords to tag blogs, photos, videos and all kinds of other things to boost your online presence.

And lastly it tells you where to put them on the site. Which tags – H1, H2, page title, page description etc are the most important and how to make use of them.

It's clear to me that most web designers don't understand this judging from some very simple tests you can carry out on the site.

Search Engine Optimisation is an iterative process. The first cycle will make most of the difference and you can do it yourself. The more specialised and technical your product, the better it will probably work. If it needs constantly refining as you would if you were head to head with a big player in a massive consumer orientated niche then you will probably need an SEO expert. Most of us are not in that position.

A bit of intelligent analysis and judicious action will probably make a big difference.

We know – we found all this out by doing it.

If you follow this strategy you will definitely get good results. However I'm not going to tell you any more here as we have lots to cover and there is a whole e-book on this stuff. You can find details of the e-book and the workshop it supports on <http://www.punchaboveyourweight.com>.

Tell it in person

A key part of your strategy will be about how you are going to tell what you do in person. There are several ways of going about this – networking, traditional selling, exhibiting, running workshops.

The main difference between selling and networking is that one is a systematic process aimed at closing an actual customer while the other is about developing contacts and advocates who can introduce or refer you to clients. If successful it has a much higher entry point into the sales process.

Traditional lead generation and selling should be a highly structured activity with well defined ratios at every step in the process. Your networking should be just as structured if not so rigid.

You need to know who your market is and who they take notice of. Then you need to meet these advisers in an environment that's conducive to them – where they can interact with their peers and maybe learn something that's useful to them. Or else just have a good time. You need to be aware of the different types of influencers – some like being subject experts (or mavens) some are connectors, some are salesmen. Some are motivated by their reputation, some are motivated by money.

In any case your goal should be to meet and get to know the most influential individuals in your industry network. They need to get to know you, trust you and like you before they will start referring you into business where it's important for their own reputation that they only put forward people who are reliable. An introduction to these ideas can be found in Malcolm Gladwell's "The tipping point" and it is elaborated in Seth Godin's "Unleashing the Ideavirus"²

Because the truth is that real world networking is quite like the online world. It is lumpy – some people (or blogs) are very much more influential and connected than others. Your aim is to be known and recommended by these super connected few since it will help you leverage your connection most effectively. We discuss this in more detail later on.

² The internet resources page including Godin's book is here

<http://www.howtodobusiness.com/Publications.aspx?cat=1>

Most industries are in practice surprisingly small. Most of the players already know each other; your task is to build a trusted niche for yourself as part of the local ecosystem. That's where the power of networking and reputation comes into play. If you have a recommendation from a high prestige player in your local area, then your selling overhead can be dramatically slashed. Not least because you will have effectively outsourced a good chunk of the sales and marketing budget.

You will have saved having to manage a lot of recalcitrant salesmen when you could be delivering, creating or counting the money.

So your task is to identify BY NAME the influencers that matter in your particular pond and find ways to hang out with them.

Who these are will to some extent depend on how big you are and what is the company sector that you are trying to connect with.

How you go about this depends on your business size and aims – what part of the food chain do you want to belong to.

Obviously your needs as a 1 man band are different from being the owner of a 10 man company. Their networking needs may be as much aimed at finding partners and suppliers as at sales. People who are running globally active businesses have different requirements from those who can fulfil all their needs by local contacts. Finally the needs of individuals in the corporate or public sectors must be considered. They may not be able to effect much delivery directly, but their ability to develop influence depends on their ability to build a strong network of people who take them seriously.

There are different tools available that suit the needs of different people. Some are membership organisations that meet regularly once a week – for example BNI or BRX. Some have strict codes of conduct about acting as advocates for each other and meeting weekly on pain of being chucked out. Others take the view that individuals self select who they associate with and are more relaxed about it. Some have a strong online component – Facebook and linked-in are particularly structured while small platforms such as Ecademy allow a combined approach on line and off line marketing.

In our previous projects we have established that the most successful practitioners combine off line and online activity. I think this is because they are effectively preparing the groundwork for their own sales activity. The question for you is which combination makes the most sense. We are currently running a research project into what works best. Look out for a future e-book.

Motivation – how other people think and feel

One of the real challenges of managing your team is that not everyone sees the world the way you do. Dudley Lynch author of “Strategy of the Dolphin” for instance says “We don’t see the world the way it is – we see it the way we think”. This is important, particularly as the human brain is a tool for taking 2 and 2 and making 5.

We have to come to terms with the fact that the human nervous system didn’t evolve under evolutionary pressure to solve logical problems. Its purpose is to get us out of trouble fast. This means it’s always trying to save processing power by making snap decisions and it’s always going to over-react to novelty and things that move fast. Finally it constantly tries to make patterns to explain what it sees. Usually these patterns are nonsense which accounts for the persistence of superstition in what is supposed to be an evidence based, scientific society. A good account of what these behaviours mean in practice is given in Robert Cialdini’s “Influence – Science and Practice” which I would strongly recommend to the aspiring copywriter,³

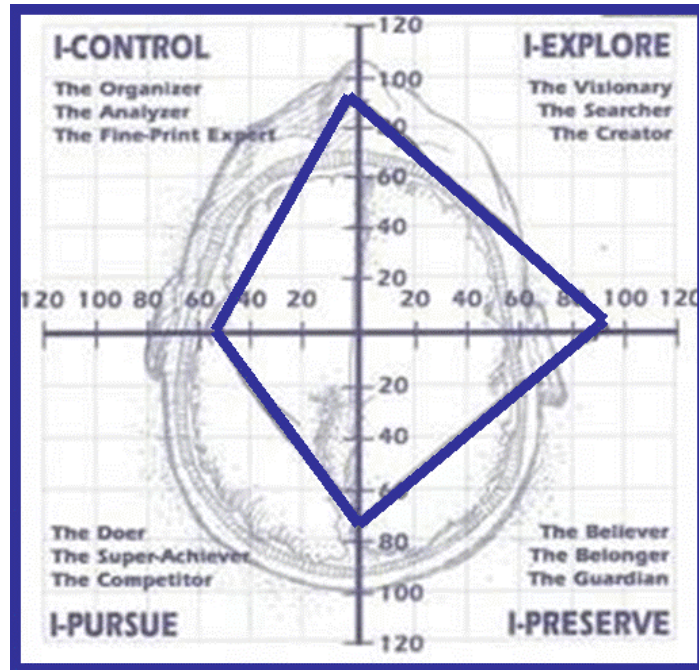
As a business aspirant, you need to be able to attract engage and motivate 2 classes of people with your visions – customers who might want what you have to offer and staff who have to fulfil their needs, In practice we find that if we present our ideas to them in language that reflects the way they see the world, we’re more likely to get a result than if we don’t. This means that while being authentic and true to your own vision you need to learn how to flex your message to express it so it resonates with the thinking styles and values of those you want to reach.

I’ve always found the tools developed by Dudley Lynch to be really helpful. Described in his book the Strategy of the Dolphin, they are the Brain Map and his MindMaker 6 tool which lets you chart your positioning on the Graves Spiral. I like them because these models are powerful enough to be useful but simple enough to be mastered quickly and applied in a day to day situation.⁴

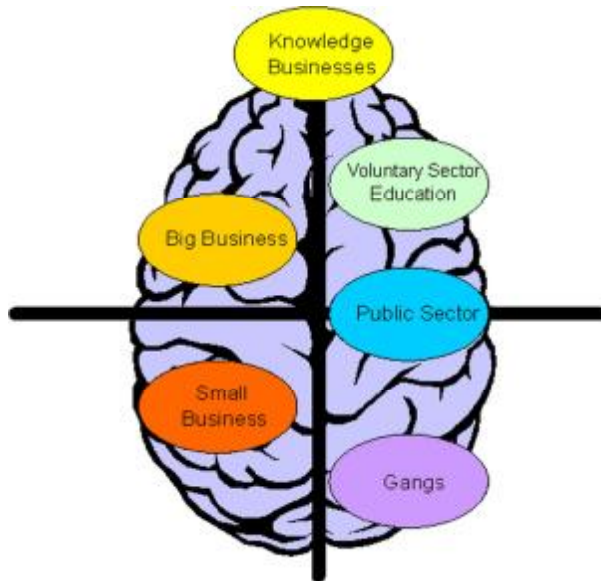
³Details at this link <http://www.howtodobusiness.com/Publications.aspx?cat=I>

⁴ Dudley’s products here <http://www.howtodobusiness.com/BrainTechnologies.htm>

The Brain map assumes that we all show a blend of instinctive vs. rational behaviour and of left brain (convergent, results orientated) vs right brain (pattern orientation) perception. These result in 4 predominant modes of thinking - visionary (right, front, thinking, pattern), analytic (left front, thinking detail) entrepreneurial (left, rear, instinctive, results)



and team players (right, rear, instinctive, relationships). You can see how these are related in the picture. The pure forms have characteristic ways of thinking and behaving and they see the world - and in each other in quite specific ways. The BrainMap lets you analyse yourself within this framework and gives you a lot of information about how the pure types think. I use it primarily as an aid to developing marketing stories.



The Mindmaker6 tool takes this a bit further and looks at the evolution of value systems, in people, organisations and societies. It works on the premise that values are either predominantly self (i.e. results) focused or group (relationships) focused and that as individuals or organisations develop they move between these focuses. As they develop they are capable of including more complexity. At a certain point

of development they become conscious of the choices they can make between adopting different values appropriate for different purposes. This comes with the ability to integrate systems thinking with people skills which is the hallmark of a successfully growing organisation in today's networked economy. There is a reasonable overlap between the 2 models and it has become possible to map the behaviour of different types of organisation in this way,

Understanding this is important for writing effective copy for organisations in the public or voluntary sectors that respond to different imperatives to the commercial sector,

The traditional salesman's view of customer motivation is that they are motivated by fear, greed or fashion, Experience in business to business sales and marketing suggests to me that fear is usually the stronger motivator, However in the consumer world it can be a bit more complex. Individuals ARE motivated by altruism. And they are also strongly motivated by dissatisfaction with their existing situation.

Faith Popcorn in her book "Clicking" identified 17 megatrends that were apparent in people's behaviour. As a New York fashion Diva they had strange North American names. However, they boiled down to two overarching principles.

- 1) I'm fed up of this so I'll buy myself a lollipop (could be a BMW of course)
- 2) I'm fed up of this so I'll buy more control of my living environment.

Number 2 is interesting. I think its one of the drivers which cause people to set up in business. The overwhelming evidence is that people set up businesses to gain control over their work environment. So if you're selling to first time business people - remember they're buying a lifestyle.

So what we've covered here is all about understanding how your audience thinks and feels and then telling your story in the language that they would use to describe it to themselves. Otherwise you end up only being able to sell to people like you - and as we know only too well - there's a limited supply of those.

I once had a job in a public sector organisation after about 15 years of being Managing Director of a 10 man company. I was always getting into trouble for using the wrong language and focusing on the wrong issues. You see - it seemed natural to me that the most important thing was to get the results I was tasked with. However I had no feeling for the sheer political complexity of the organisation and what was considered appropriate in terms of maintaining the cohesion of the group. After about 18 months of pain which I somehow survived by being too competent to fire I eventually developed a quite unexpected flair for organisational politics and achieved some good things that I wouldn't have if I hadn't learned to play the game.

Mind you I still get caught out. I got into trouble for referring to man-days in a recent bid where consultant days would be considered gender neutral. I also got told off for referring to market research as research - because research on people trips out a whole dimension of ethical considerations.

I t's all nonsense of course - but it just demonstrates how important it is to understand these value systems.

As a rule of thumb - don't use "me" language with "we" people or they'll resent you and try to cut you down to size. And don't use "we" language with "me" people or they'll see you as weak and try and take you out. And above all don't try to use charm on accountants.

Attracting, leading and keeping talent

One of the difficulties that a growing company faces is attracting and keeping the staff it needs. For a company to grow past about 10 it needs a management team. In Mike Southon's book "The Beermat Entrepreneur" he describes a cornerstone model in which you need visionary plus 4 cornerstones who are experts in sales and marketing, finance, operations and content. This would provide a core management team able to drive business growth up to about 70 employees when either the business will cash out or a middle management will need to be engaged.⁵

However, this is probably well beyond what most of us have in mind. However, there is one key point about engaging these core staff in Mike's view and that is equal share holdings. I have to say we have only in one of our companies done that although the first one was quite close. Our current business is actually a family one with 4 shareholders which has to make provision for succession planning.

My experience teaches me that good people are attracted to working on good projects that will help them develop as individuals. This is particularly true in IT where it's critical for people working in the field to keep their skills refreshed, but it's also true in other areas where one's career is often built on a portfolio of CV building projects. So if you have a compelling vision that promises a series of interesting work projects, then you will find it easier to attract the staff you want.

Don't however forget the Values dimension. However cynical the media are, my experience is that the overwhelming majority of people want to work on things that are worthwhile – that have some meaning – that make them feel good about themselves.

There's actually quite a shortage of this type of work, so if you can provide it you'll have an advantage in attracting and keeping the staff that you want.

You can keep them also by providing them with things they can't get elsewhere. When we were running our AutoCAD dealership, Ai Systems, we had a gang of young salesmen and techies. These guys defined themselves to their chums by their wheels. Most competing companies

⁵ Link to Mike's book here <http://www.howtodobusiness.com/Publications.aspx?cat=F>

would give them a standard company car (it was a perk worth having in those days) but we had the bright ideas of offering a bit more flexibility.

As in - here's the company car - it's a Renault 21. It costs us £300 a month in leasing. If you want something different you can have it - we'll pay £300 a month and you find the difference. So we had BMWs, Renault hot hatches, and toy Jeeps in the fleet. The guy with the toy Jeep took his girlfriend out on the beach at Southport and got stuck with the tide coming in. He did manage to get it out in time but he was more scared of facing I sobel than drowning. The guy with the hot hatch clamped the steering wheel so some bright spark sawed it off (this was Merseyside after all). However they stayed with us to the end,

It's important in a small company to develop a sense of community. This means that you have to be seen to be fair all the time and that you need to build in excuses to organise team celebrations. The celebrations are the easy bit. Work out an excuse for everyone to go out and get drunk together. About 3 times a year is enough. We had a rule that if the company sold £100,000 of kit in a month which generally happened 2 or 3 times a year we would have a company outing. Sometimes we went bowling; sometimes it was beer and pizza (we had a great pizza restaurant locally) once we went on one of those laser guns in smoke filled rooms jobs. Doesn't matter. It just makes people feel involved.

Being fair is harder. But you have to do it - because then if someone is not performing you can let the logic of the situation speak for you. Look, you might say, I have a responsibility to keep all these people employed. The company can't live with the level of sales you're producing. How do we make it easy for you to find another job? People were generally glad I'd brought it to a head. After a few months, I often got referrals from people I'd had to sack. It's not a good feeling but if you have behaved consistently previously it's much easier. So it means that if someone is not pulling their weight you have to confront them out of fairness to the other people who are putting in the energy.

The final advice I would give is always look out for projects that will further the agenda of the individuals concerned.

I learned this during a stint as Regional Chair of the Chartered Institute of Marketing. We had to re-design the regional web site. My first thought was that I should do it – after all it's within my expertise. My second thought was – No – if I do it myself I'll just get in my own way and be the bottleneck on my own project. I know – I'll ask Thom to do it – he's just gone independent and needs the reference. He did a great job. Next I thought – what can I give the others to do. So I got Peter to develop a regional events programme and David to liaise with other professional bodies. Both things that suited their personal agenda. Result – I had nothing to do and won an award for Best Managed Region.

It just shows what you can get away with. If only I applied the same approach in my day job.

Keeping your balance

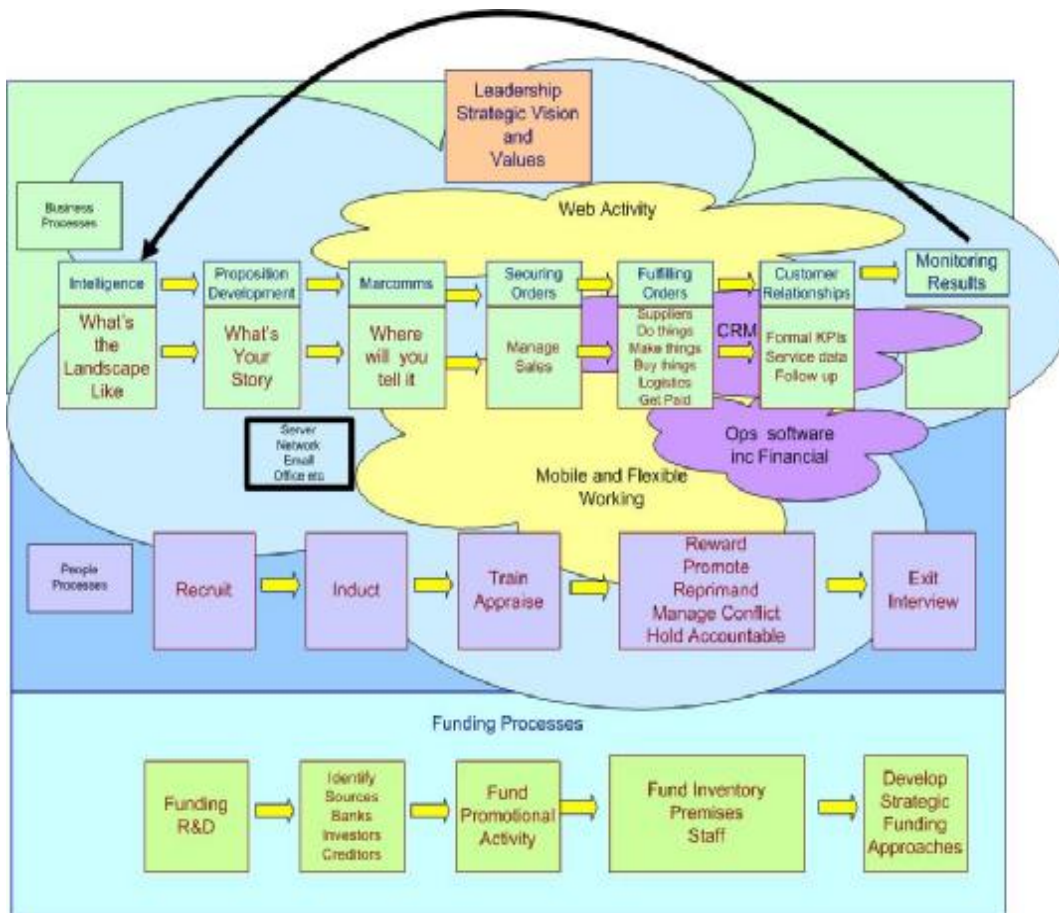
Growing a business means balancing supply and demand, yin and yang. It's one of the tough things that you learn as you develop. It's no good focusing everything on sales if all you do is generate a lot of orders you can't deliver. Building your brand value depends on consistency of delivery so it's important that your systems keep pace.

Most of us have little idea when we start out of what this means. We think that we will grow organically, a little bit here and a little bit there and over time we will be able to build something substantial by following up the growth with the systems.

Alas it doesn't seem to work like that. You need to always manage to keep that bit in reserve, even while you are designing elegant lean systems that let your customers get easily at what you have to offer.

To some extent it depends on what you're doing. If you are simply working as a one man band and plying your trade you can easily manage quite well with a laptop and a broadband connection. Even if you are working as part of a gang the same is largely true. Most of the systems you need are available on a pay as you go basis and can be hosted externally.

However if you are planning to build a company that delivers tangible value and needs a physical presence, then you are going to need an internal system and well defined processes. It might even look as complicated as this.

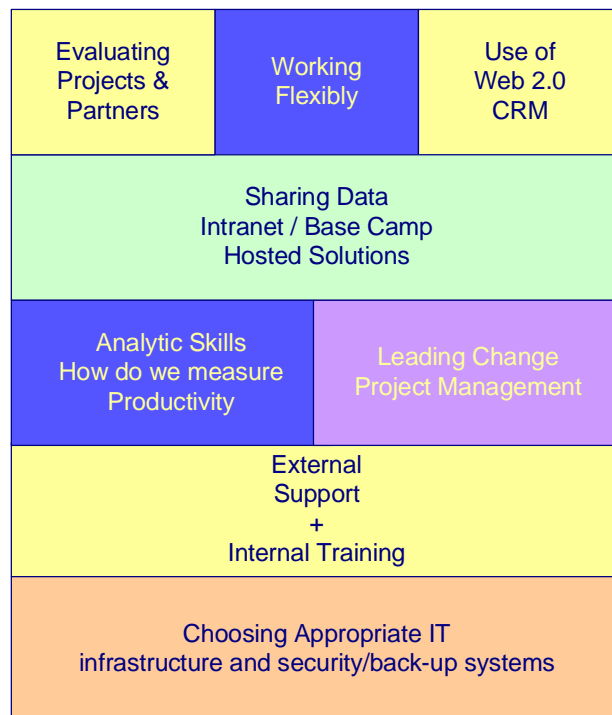


This attempts to show how orders and delivery go hand in hand and how people and funding processes need to develop in parallel to sustain the expansion of the business.

The IT system becomes the nervous system of the business, allowing monitoring and balancing of supply and demand by building up layers of server/office products /network and email. These underpin

- mobile and flexible working,
- operational and financial software,
- the customer database
- web activity.

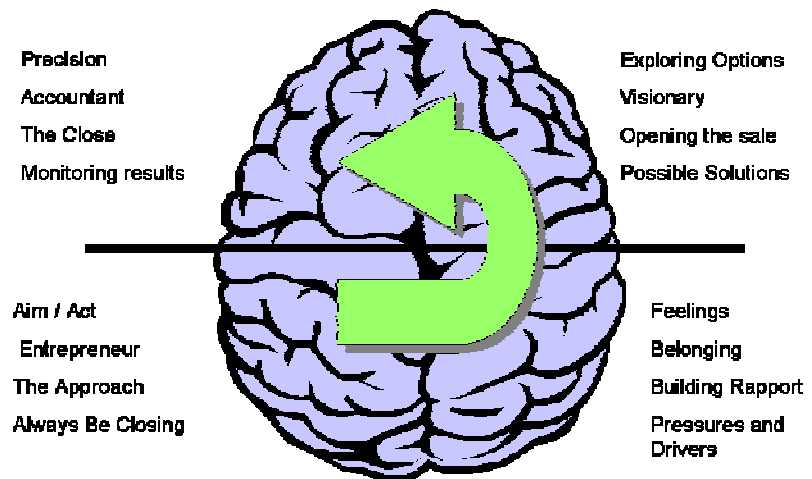
The different components of this might be pictured like this



Your task is to identify which of these areas are important to you and make sure that you work through the steps needed to bring your staff along with you. I've lost count of the times that I've turned up to install a CAD system to be met with "What new system's that then?" And people wonder why they don't get productivity from their IT.

Success is all about synthesising people skills with systems vision and capacity. Left and right Brain skills in other words.

In our own business we've always tried to develop the 2 sides in parallel.



Our unfair advantage as growers and internet traders is that we have 25 years' experience of writing and implementing manufacturing software. It sounds daft to say it but actually Plants4Presents is a just-in-time manufacturing operation that happens to use a live plant as part of the product. We started fulfilling because the majority of the nursery industry cannot manage the idea that an order comes in the morning and is shipped that afternoon. In extreme cases up to 10 minutes before the courier goes.

At peak times, the operation needs to be planned carefully. For Mother's day this year we had to ship 862 plants in a day. This required us to set up 2 production lines again with 3 extra casual workers. The only way that we managed this is by building on previous experience and by engaging everyone's intelligence in setting it up. You cannot dictate to members of a tight team and expect to get the results. All you can do is explain what has to be done and provide the framework.

Just enough structure

One of the reasons that companies get stuck is that they are not prepared to make the changes that are needed to get to the next level. Companies go through clearly defined stages by growing quite quickly till some behaviour limitation becomes apparent. Then if you won't change you get stuck.

For instance, once you start employing staff and look to obtain a base load of business from a larger customer you enter what we've started to call the dawn of formality. You will need to keep evidence that you're behaving as a professional company and this means I T to keep the records in a structured way.

In many industries, you have regulatory issues which drive you in that direction. Even a small company making sandwiches is subject to food traceability regulations. One of the most interesting findings from our "Abandoned Heroes" Research Project was the extent to which compliance with regulations or larger trading partners has become a major driver of I T uptake in smaller companies.⁶

You need an I T system that delivers what you need – easily

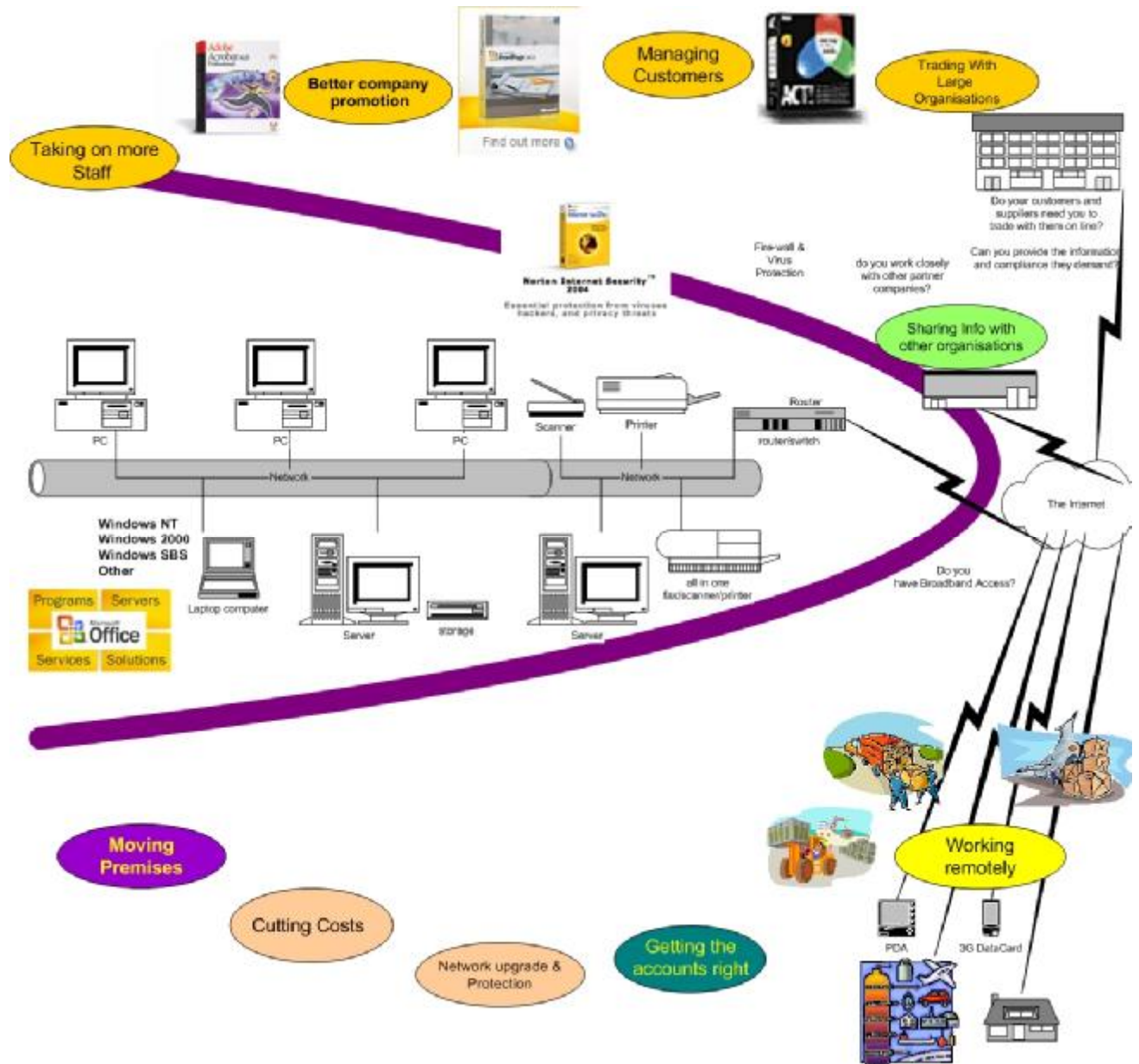
- i. Communication
- ii. Control
- iii. Compliance
- iv. Formality
- v. Scalability

I t will likely need a server. What finally drives you forward will be one or more of the 3 main drivers

- Expansion aka Greed
- Need for security and control aka Fear
- Need to communicate or take part in web 2.0 activities – aka Fashion

⁶ You can buy the Abandoned Heroes report here <http://www.aiconsultants.co.uk/> - it's also summarised in the <http://www.punchaboveyourweight.com> workbook

This is illustrated in a diagram which started life as a qualification tool and then became a core part of the IT development part of Tranee – an EU funded project to help small Eastern European Transport companies become e-enabled. Here it is



The main drivers are shown by category together with some of the products that a company might use.

There's not a lot of professional help out there for the poor soul tasked with keeping the network going in a 10 man company. Even our resident expert is approaching her design limits and she's been at it all her life.

You may need to consider when you're getting your system installed that you definitely need some one who knows what they're doing to install it and someone who kind of knows what they're doing to maintain it. With ready access to the cavalry.

You may be in some doubt about whether you need professional help with scoping the project. Here is a rough rule of thumb courtesy of the Buy-IT guidelines – originally written by my old pal Peter Duschinsky.⁷

Multiply

How many applications x how many people involved x Number of months.

If this number is less than 10 you can just busk it. If it's more than 30 you definitely need professional help. If it's in between it depends.

I once had a client who ran a company that made hydraulic seals. He told me he was buying a new production system. He said "I don't need you to help me choose it but I do want you to frighten my team into believing they need a project manager – they don't believe it."

So I set up a workshop and asked the questions – it was open and shut – the first 2 variables came to about 40 – job done.

⁷ Peter is an interesting man who knows lots about e-procurement – his website is <http://www.imaginist.co.uk>

The business growth path

When people set up in business, they have a choice to make – to grow or not to grow. This seems a bit odd – surely everyone wants to grow. Let me tell you a secret – they don't. All the government stats we've ever seen suggest that only about 80% of companies are interested in making any real money. The rest want control over their own space. Remember Faith Popcorn in section 7.

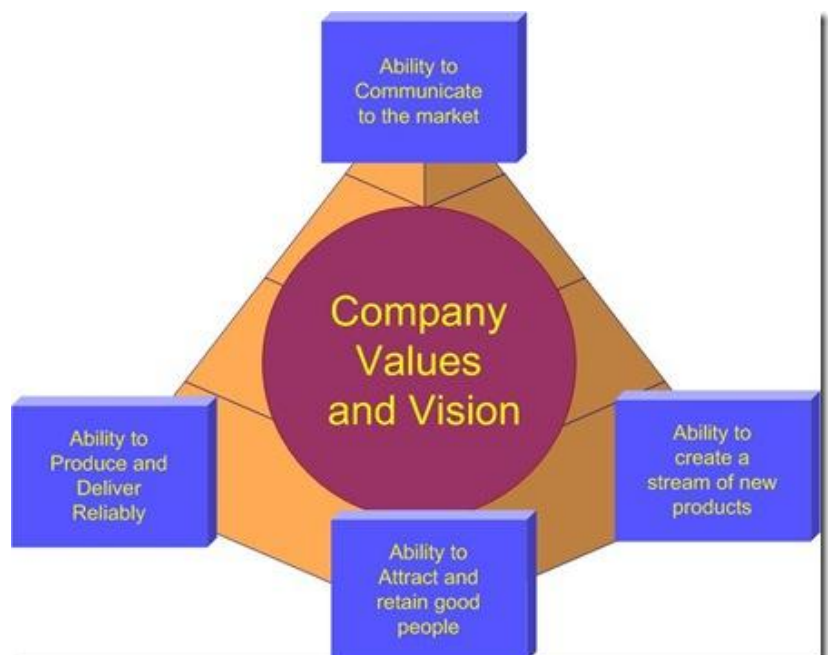
The real truth is that despite people telling you that there are 4 million small businesses here in the UK, the truth is that about 2.5 million are sole traders. There is a massive long tail. Governments and IT companies are always looking at the small business market because they believe that stimulating demand here will be to their advantage. But there aren't really that many of actually.

I did some work for PCWorld a few years ago and I dug all this stuff up because it was relevant to them. Here are a few stats to make you think.

- Only 7.5% employ 5 or more people
- Only 25,000 UK companies employ 50-250
- Only 250,000 UK companies employ 10-50

Business link considers a high growth company to be one that can consistently grow 25% per year. By that definition we are a high growth company. However when you get bigger it gets more difficult.

I've come to believe that growth companies are planned from the outset and that certain abilities that are needed to progress. These are summarised here.



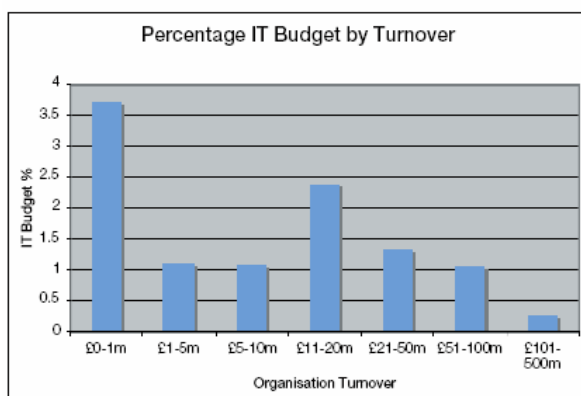
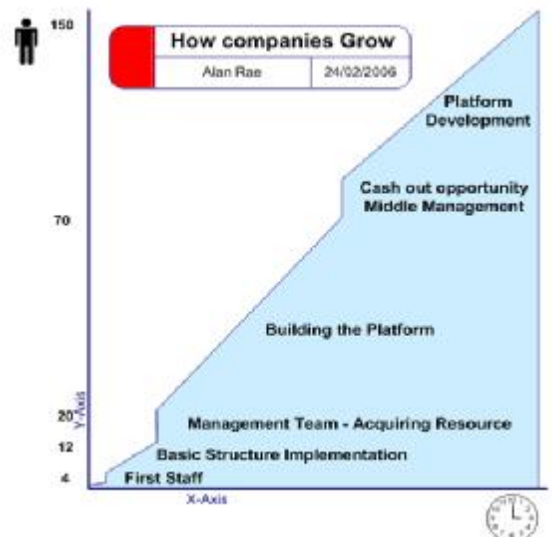
Everything depends on the values and vision of the company of course but the key skills you need are

- 1) Being able to systematically create new product sets
- 2) Being able to create systems to deliver them
- 3) Being able to tell the world what you've got - in the right place, to the right audience at the right time
- 4) Being able to attract and keep the best people to make it happen

Companies exist in an unstable landscape. They need to be able to grow to control a scalable niche which is part of the overall global economy if they are to be ultimately successful. Growth companies tend to start with a management team rather than a single entrepreneur and undergo defined transitions.

One transition occurs when the organisation needs the infrastructure to behave "formally" - deal with regulation, demonstrate the ability to monitor KPIs and the other constraints of dealing with larger organisations which need exchanges of structured information.

A second occurs when the organisation needs to scale having achieved proof of concept in its niche. This means implementation of an enterprise type IT solution capable of scaling as far as is necessary. (We believe that while innovation is often not only about technology per se, it often needs an IT infrastructure development to leverage value.) Many growth companies of course sell out as this point is reached.



These IT issues are illustrated in this chart from a recent survey carried out by IOD / Dell which

clearly shows peaks in investment at these 2 transitions.⁸

We believe that innovative, growth companies consciously put their IT infrastructure at the heart of their activities. However, in order to be successful they need to deploy IT effectively by engaging and motivating their staff by making it clear that technology lets them be more effective in serving their customer base with a continuing string of new products and services. This engagement involves integrating systems and people skills as well as being able to demonstrate the characteristics of a learning organisation as outlined by Senge⁹

It's surprising how few growth companies there are. We know that only about 1600 companies grow past the 10 employee barrier each year.¹⁰ In a study carried out in the 90s, Deloitte only identified 317 fast growing companies defined as 25% sales growth per annum for 4 consecutive years (15% for companies over £10m turnover) out of a total population of 6,786 companies which were UK owned, with sales of between £5million and £100 million and which had 5 years of financial records.

Deloitte found that successful companies had learned how to develop their product range from a well established base and they avoided things that distracted them from driving the business forward.

Research carried out by Smallbone found that proactive management of product and market development is what most consistently distinguishes high growth firms from the rest.

Smallbone et al looked at 6 marketing activities

- New Market Opportunities
- Wider customer base
- Change in product range
- Innovative products
- Number of competitive steps
- Type of competitive steps.

⁸ Download it here http://www.iod.com/intershoproot/eCS/Store/en/pdfs/policy_paper_sme_dell.pdf

⁹ Peter M Senge – 5th Discipline 1990

¹⁰ Business Link for London Data 2001

High growth firms (those who doubled their sales turnover in 5 years) actively pursued 4.3 of these activities while average firms did 3 and companies that declined did 2.2

So this suggests that product innovation is more important than process innovation except in industries undergoing a step change in production processes.

Changes in organisation and management were a distinctive and consistent feature of high growth firms. Introduction of professional managers, and external consultants was a key indicator (although only 36% of even high growth firms did that)

The most successful firms worked to create time for the leaders. This is more difficult to obtain in the 10-19 size band than elsewhere. Job generation occurs in high growth firms as their focus on productive advantage sucks in more individuals.

In summary Smallbone concludes that growth companies

- § Develop new products and markets from existing base – using the Ansoff Matrix approach
- § Systematically develop more profitable market niches
- § Knowledge Economy companies increasingly function as stages in other peoples networks – a more fluid version of Porter's Value Chain ideas
- § More managers, devolved management responsibility – make time for thinking
- § Thinking time a particular challenge for the 10-19 firm
- § Owners think like businessmen, not managers

So there you are guys – easy peasy, So why aren't we all doing it?

Crisis – what Crisis?

I think the main answer to this is that business does not grow in a smooth progression – it goes in jumps. Partly this is because there are break points in the development of the company and partly it's due to attitudes and people (as always). My observation is that companies grow quite quickly to the next barrier and then they get stuck. I think it's because in order to go on to the next stage you need to change the way you behave. Because people have usually set their businesses up to control their own space they normally have difficulty with this.

Let's have a look at the stages they go through. We've come to segment businesses by size – because that seems to go by behaviour

- 1 man Business
- 2 men and a dog
- Gangs of independent consultants
- Tribal life style business
- Growth Business part 1
- Growth Business part 2

The 1 man business has to decide whether to get out of the house and become a proper business or just continue earning a living. Or join a number of collaborative gangs which can share the cost of customer acquisition and deliver complementary services. Or get a couple of colleagues or helpers.

Many people don't want to tangle with the responsibilities and regulatory burden of employing staff and managing payroll etc. In fact most doers can't stomach administration – something that policy makers and those socialised by working in the Public Sector seem not to grasp. However if the business is going to grow someone at Senior level has got to be into doing process.

Because if they don't do it they won't be able to start dealing with the KPIs and procedures necessary to trade with larger organisations. We call this transition the dawn of formality and unless you are planning to run a fairly physical business, a growing business will need to come to terms with these issues at around the 4-6 employee mark.

The next barrier is about getting past the 10 person threshold. This is a natural hunter-gatherer tribe size of business. Personally I've spent most of my life in organisations of about this size. What holds you back are the people issues. If it's just you – or two of you – it's a real problem. Because each new person that comes into the business adds another factorial layer of relationships and by the time you get up to about 14 or 15 dealing with this is a full time job.

I first noticed this in our first business. We had 3 working directors so we managed to punch through this and ultimately employed about 25. However we went through a period where we had some churn in the sales force and the number of people in the workspace went up and down. There seemed to be a critical number below which everyone sat down and got on with their work while above it, you would get little spontaneous parliaments appearing. And then someone would leave (or be sacked **L**) and they would all be back at their desks again.

As an employer you think “what's the matter with these people, why aren't they working” but of course they are. This interpersonal stuff needs dealing with and mediating. But it can become a full time job. If you are on your own it will eat all your strategic planning time. Hence the small number of companies that pass this barrier. Those that do have probably already decided to be growth companies and have an embryonic management team in place.

Mike Southon, in the BeerMat entrepreneur, believes that you need an entrepreneur and 4 cornerstones to build a business capable of growing up to about 50 or 60 (at which point it can be cashed out). What this gives you is the ability to punch through this barrier and get on towards the next barrier.

The final barrier I want to discuss is the scalability issue. By the time the company has expanded to employ 60 or so people it will probably have got a really strong proof of business concept under its belt and the dilemma is then whether to sell the business or to go for world domination. If you decide to do it yourself you will be looking at developing a middle management structure to run the business, raising finance and putting in a world class, scalable IT Infrastructure. Remember the peak in IT spend from the previous section.

These are the companies the IT boys are fighting for – and as I hope I've made clear – there aren't really so many of them.

The research work that's been done identifies that companies hit a well defined series of crises as they grow. A comparison of companies in the US, UK and Ireland found the following issues were common,

- § When the Founder cannot sell enough himself
- § When more people need to be taken on
- § When the organisation needs to change premises
- § When the product range needs reinventing
- § When the business processes and systems need upgrading
- § Crisis points currently recur every 3 or 4 years

They concluded that in the initial phase, the owner manager engages energetically in sales. It was common to hit a crisis after about 3 years as a result of several issues needing to be dealt with at the same time. It was common to hit a second crisis after a further 3 years. This is characterised by a falling away of sales, probably as a result of the restructuring caused by crisis 1. Crisis 2 is generally resolved by a renewed focus on marketing – product development, talking to customers and by additional finance.

In other words – these things are largely about being able to keep marketing activity and delivery capacity in balance. But things don't grow smoothly – and a real difficulty is the limited range of suppliers. Most industries are actually quite small. In our own plants for presents business we often only have 2 possible suppliers for many things that we deliver. If we continue to expand we will hit the limits of some of these and may have to start importing things directly with a great leap in finance and storage capacity.

Changing premises which we did nearly 2 years ago involved increasing the IT systems significantly. Needless to say BT behaved with their customary verve and responsiveness (**L**) and we were reduced to downloading orders from someone's connection 5 miles away and doing everything manually for a couple of weeks. We had to change our main courier because our existing one with whom we had an excellent working relationship was not allowed by the terms of his franchise to pick up from us any more.

It took about 3 weeks before the new franchisee could pick up for us and so white van woman had to drive to Crawley every day during that period.

The most dangerous however, is probably the sales transition to recruiting the first salesman. Most small company owner managers have not had the benefit of working in a formal sales structure.

We were very fortunate in that in the early 80s when we were cutting our teeth in the IT industry there was plenty of sales and marketing training available from our suppliers. In fact most of my practical business education was supplied courtesy of Commodore, Autodesk and Sun. These companies quickly realised what a shower of amateurs they were going to have to depend upon to grab market share. So they thought they'd better teach us something.

Commodore lured away a man called Brian O'Hara from Olivetti who were at that time the last word in sales methodology (where are they now?). He put us through a 3 day training course which was a revelation. I'm still using his stuff now. He taught us that sales is a process and that we need to establish and monitor the conversion ratios between the stages of the sale. I practised this for 15 years with a team of between 3 and 6 sales people that I was responsible for and it's made a really deep impression.

Most owner managers don't do this. They get away with a combination of charm and enthusiasm for their products and don't monitor themselves. So they have no yardstick to use to hold new sales staff accountable.

So what happens? They've expanded. They can't sell enough themselves so they try and recruit a salesman. They will pick a "traditional" looking salesman. You know, hearty, affable, presentable, talks a good stick etc etc. Let me tell you these types will never sell for you. I've employed enough of them to know this. Why? Because their need to be liked is greater than their need to get a result. (And anyway they're only motivated by greed unlike you and me who are often motivated by fear which is a far more potent motivator.)

Some psychometric tests are quite good at flushing this out. It's always been a swine to get at this in an interview even before we were subject to major restrictions in what you can legally ask in interviews.

So what could you do differently? Hire an office dragon – work out a system with them and get them to monitor you – insist you collect your ratios and discuss them. At the end of 6 months you'll probably be selling better but more importantly you'll have the all important ratios.

Then you can say – if this is what I do – as an amateur – I will expect you as a professional salesperson to do better. How will you go about delivering against this? Nothing works all the time but I guarantee it will be better than settling for the most affable suit and kipper tie.

These are just a couple of illustrations from our own experience which tells us that you need to be aware of these transitions and plan them in well ahead.

Keeping the score

One of the things that you need to know is how to track the growth of value in the company; this seems one of the hardest things to get people to take an interest in. Accountants seem to be the worst for some reason that I've never understood. Perhaps it confuses the customer.

However, if you want to sell a business you need to be able to demonstrate value. Now as a rule of thumb, you might expect to sell the business at 3 times its annual earnings. For instance when we bought the biological controls business from one of our suppliers they wanted £10,000 for it. After a bit of due diligence it turned out that it was earning about £3500 a year on the bottom line – so £10,000 was a fair price. Rich Dad¹¹ is always going on about creating income streams that you can buy and sell. This, for once, is an example of a real one.

Traditionally, we tend to think that the value of a company depends a lot on its fixed assets but in today's markets that's not true. It's been calculated that the brand value, goodwill, or intangible value (call it what you will) represents about 85% of the value of a typical 21st century business. The intangible value for a listed company is the difference between the book value and the share price. If you want to show off you can refer to this ratio as Tobin's Q.

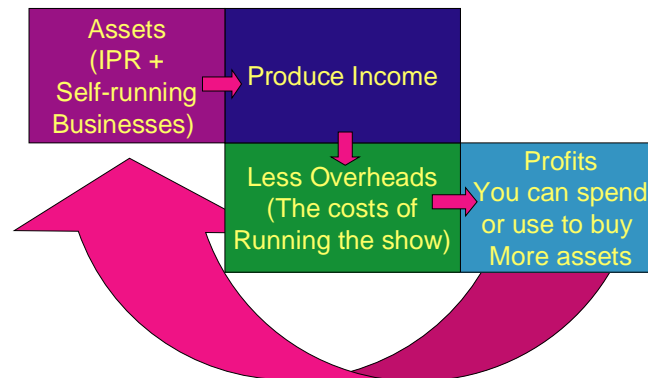
However what results in the bottom line? Value resides in

- What's in people's heads
- How good your processes are and how happy your staff are
- How many good customers you've got
- How good you are at developing and communicating the right products – and how good you are at turning these into formal IPR
- How tight your financial management is

So I would have thought it was a worthwhile exercise to construct a set of indicators that are easy to get at but which can track the growth of value in the business so you can convince potential buyers that the business has real intrinsic worth as an ongoing cash generator rather than having been lucky with a few years figures. In any case it will give you much better control over where you are going.

¹¹ Of course I mean Robert Kiyosaki – author of Rich Dad Poor Dad

Successful companies build a formal systematic structure to achieve a defined set of income streams which are worth acquiring. They do this by maximising the value of the company. They tend to see it the way the diagram shows it.



What incoming purchasers or investors are interested in is whether there is a systematic means of generating profits which relate to

- A real customer need
- An unfair advantage
- A team that can deliver the results by remote control

But achieving this in a systematic way involves pulling a whole lot of different things together. It's lucky for us that in the UK we have the data readily available to benchmark ourselves. In the UK, the Small Business Service commissioned a benchmarking study from the Cranfield Management Institute which established the scores across a wide range of indicators for the median, worst quartile and best quartile companies. The top quartile, in non stat-speak, means the score for the company 25% of the way down the ranking while worst quartile means the company 75% of the way down the list. So if you're up there with the top 25% you're probably doing ok,¹²

The thought leaders in measuring the growth of intangible assets in a business were probably Skandia who for some time published such measures in their balance sheet. They followed the principles of the balanced score-card which identifies

¹² Alas the DTI have withdrawn this paper but if you email me I'll send you a copy

- An innovation focus
- A people focus
- A customer related focus
- A systems/process focus
- Which leads to a financial focus

So if we followed their lead what might we come up with? Let's start with innovation.

It's important to catalogue formal production of Intellectual Property Rights (IPR) in a business including the growth of Research & Development. One method of accounting for this is to capitalise the value of salary spent on R&D and write it off over 2 years. We did this in the nineties when we were developing software. IPR by the way includes the value of Patents, copyrights and Trademarks. You can trademark a good name for a couple of hundred pounds.

Another useful measure in the innovation space is how much business comes from new goods and services. The UK median for all service companies is 8% Top quartile figures is 22%. This gives you a quick way of establishing how well you are doing in comparison with your industry.

People is the next area to measure. You need to monitor their skills and how happy they are in their work situation. Fortunately for the smaller business, research shows that staff satisfaction correlates very strongly with absenteeism and accidents. These are normally measured as a legal requirement so tracking this becomes easy.

Skandia developed a human capital index that measured the people-based intangible assets in two of the group companies on a range of criteria. The results are reported in their annual report and accounts.

The amount of money spent on training or the number of graduates in a company is a good proxy for the growth of people skills in the business. In the UK, the number of graduates in a company has been found to correlate strongly with the degree of internet connectivity in the business.

Process measures generally concern themselves with efficiency and I T. An outstanding business will make sure that its systems keep pace with its marketing activities. Measures here need to relate to the operational realities of the particular business. Measures that Skandia used included contracts / employee, administrative costs / sales turnover and I T costs / administrative costs.

In today's world this investment needs to fund internal processes, sales order processing, communications with customers and external communication and sharing data with collaborators, customers and suppliers. This situation is illustrated in the following diagram.

For most of us, it's important to be able to focus on measures of business efficiency that we can readily track. We recommend that you measure Gross Value add per employee and the number of debtor days. These should come directly from your accounting system and will give a real handle on your operational performance and improve your cash flow.

Customer focus is where the real benefits from knowledge management for a small company can be gained. You need to have some measure of customer satisfaction, and this can be tracked by the number of complaints received per customer. After all, prospective purchasers buy a secure income stream.

You need a systematic way of recording and analysing this information. An effective customer database allows you to manage this without great time or cost implications. We suggest you monitor the proportion of business that comes from new customers.

The Harvard Business Review estimates that natural wastage results in the average company losing half of its customers over a 5 year period. The average company just manages to replace this. So it's critical to measure how well you're doing.

To really be on top of your business, you should know what volume of enquiries you need to generate and what proportion of your business comes from new sectors, new products and new customers. It's critical to be able to readily know which the most profitable areas of the business are and which the best types of customer are.

Getting to grips with this means setting up the chart of accounts in the financial system so as to easily highlight meaningful divisions of the company. It is a tragedy that in the UK, the vast majority of accounting systems are set up using the default chart of accounts that comes with the software.

Financial Focus is about how well the company is doing and concentrates on profitability and liquidity. Many ratios analyse profit and loss and balance sheet performance. Skandia companies tend to use operating profitability and return on capital employed. In our Benchmark sheet we suggest 3 measures, Pre-tax profit / turnover, Return on Capital employed and the Acid Test Ratio.

This last is a balance sheet ratio which measures the degree of solvency of a company. It is a more critical version of the current ratio which divides current assets by current liabilities. The Acid Test Ratio divides current assets - stock value by current liabilities to measure how liquid the company would be in an emergency.

Cranfield also track cash in the bank as a % of company turnover. The median value for service companies in the UK for this indicator is 3% and for the transport sector is 2%. For top quartile companies it's 14% and 6%.

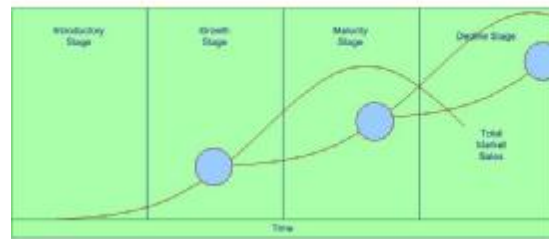
The Cranfield Data, needless to say, aren't arranged in this form. So I've rearranged them into a table that summarises what I think would be helpful to you so you can track the growth of value in the company.

Benchmark yourself – comparison Data from Cranfield Benchmarking Study – UK Small Business Service – 2004							
	All Services			Transport Sector			You
Indicator	Top quartile	Median	Bottom quartile	Top quartile	Median	Bottom quartile	
Innovation							
% business new products	22	8	3	10	4	3	
R&D / Turnover	4%	1%	0.25%	1%	0.3%	0.1%	
People							
Absenteeism	1	2	4	2	4.5	9	
Training / employee	£450	£200	£100	£200	£100	£30	
Customers							
Complaints / Customer	0.02%	0.05%	0.2%	0.1%	0.5%	2.5%	
% new customers	42%	20%	10%	17%	9%	6%	
Systems							
Value add / employee	£45k	£32k	£22k	£50k	£35	£22k	
Debtor Days	30	60	80	30	50	60	
Financial							
Pre-tax / turnover	14%	5%	1%	5%	4%	2%	
ROCE	40%	18%	5%	30%	18%	2%	
Acid Test	1.6	1	0.6	1.5	1	0.8	

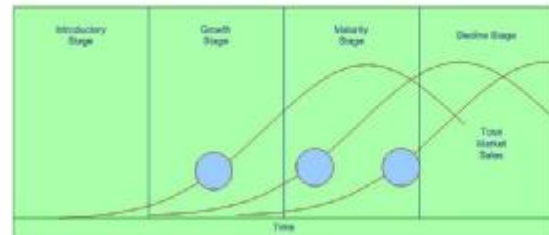
So there you are that's how I see it based on a combination of study, prejudice and experience.

Onwards and upwards – learning to learn

Given that a successful business is going to have to hop growth curves to survive or grow, it turns out that your only sustainable source of competitive advantage is your ability to learn.



You may remember this picture from earlier on. What it says is that you can't stand still. If you're good you catch the next wave early enough and grow on it. If you're average you catch the next wave and let go of the old one. However it's difficult to know much in advance what the next relevant one will be. One of the hallmarks of effective companies is that they are able to develop new products and services from a well established organic base.



To create these and implement them in a way that's operationally sound you need to be able to take the team with you – you need to be able to learn how to find the new opportunity and implement it – in a way that's not been done before. This means that you have to take your team up a learning curve. If you can do this faster and more effectively than the next company then you will work in the market place.

So how do you learn to learn? Most of us have the creativity driven out of us by the education system as it is lovingly tended by the Ministry for the Prevention of Learning. It tends to produce by numbers people who do things by the book, who can't think things through from first principles and who are stuck in a low level "evidence based" view of the world. In extreme cases they regard their bodies as a way of getting their heads to meetings. (I wish I'd said that – [actually it was Sir Ken Robinson in his talk at TED](#))

The real world is more messy than that – you need to try things. You need to carry out a Tango with the market place. Product creation and launch is a physical process. You can't do it intellectually in a back room.

So we need to take note of what is known about learning to learn. The expert in this area is a man called Peter Senge. So the rest of this section is a summary of his main ideas – which I think is fundamental to business success in today's market.

Senge's ideas were published in a book called the 5th Discipline which is well worth a read because as well as dealing with the characteristics of the learning organisation he has a nice little appendix describing some archetypal binds that organisations fall into.

Basically he says that creating a learning organisation needs you to build a culture that celebrates and practices 5 key skills. If any one is missing then you can't create a learning organisation. They are

- Personal Mastery
- Mental Models
- Shared Vision
- Team learning
- Systems Thinking

What these mean in practice is that one of the tasks of leadership is to be continually evolving, growing and learning from the environment and to distil this experience into a model of the world that facilitates process for those around you.

To create a learning organisation, the leader must

- Do this consciously
- Demonstrate it to others
- Encourage them to do the same.

The interaction of a group of people working together on real projects that they all have a strong interest in achieving, creates a shared vision around a common purpose. If articulated and pictured this can become the brand. Internal branding in a service business is fundamentally about creating and propagating this shared vision throughout the organisation.

If you are creating an organisation from scratch, then it's relatively easy. If you are trying to transform an existing situation then you may need to surface and deal with the mental models that the incumbents are using. For instance developing meaningful IT training for small businesses

involves tackling and neutralising the “official” mental model that there are IT users on the one hand, IT professionals on the other, and nothing in between, Dealing with Digital Divide issues means that the mental model that internet connections are three times as expensive as they really are and that there is nothing of value out there to someone like me.

The really big switch is towards team learning. Our educational system has been geared to the industrial model for 150 years. It favours broadcast activity. Someone on high has the ideas and these are propagated to the serfs and minions.

However real learning is collaborative and the tools of the internet facilitate this. We have Skype, BaseCamp, social media and MegaMeetings to facilitate idea creation and deployment. Where people understand they can create and disseminate their ideas the digital divide melts away.

This has always been true. The spirit of the age can be seen in the music and gene patenting industries where the aim of the game is to end up with all the counters so you can hold the world to ransom by OWNING the knowledge. However scientific and engineering organisations have more often than not progressed by co-creation. The first company I worked for made Steelworks cranes. Each one was different and co-invented by our chief project engineer and theirs. This learning was then retained to improve future designs. We built several software products like this – through collaborating with the customers.

However to retain the gains whatever you do has to be embedded in systems thinking. The business operates as a whole – so imagination and new product development has to be turned into reliable product delivery.

And it has to fit the company's path through the waves of change.

A lead thinker in this area was Stafford Beer who amongst other things created a real time production monitoring system for the Chilean Government in the early 70s before the blue meanies decided that they wouldn't tolerate a democratically elected Marxist regime in the world.

His systems model essentially states that the operations people know what they're doing and can organise themselves to deliver as more or less autonomous units aligned around a vision. Central management's job is to create a plan and have 2 independent monitoring units one of which looks

inside and asks the question "are we on plan?" while the other looks outside and asks the question "is this plan still any good?"

At the same time it has to ensure that shared vision that this is a learning organisation focusing on whatever it does is grounded in the awareness of the whole organisation.

The end game of our CAD business was that we wanted to expand it and moved south in the summer of 1995. We had spent the previous 18 months training the team to be self-organising. In the event we over-reached ourselves and had to close the company 6 months later. But freed of our pretensions to be software developers, the team ran a good business with a local customer base for another 8 years.

Trading with larger organisations

At a certain point in a company's growth it has to stop playing at it and become a "proper" company. For growth companies that are planned from the outset, this is from day 1. For lifestyle businesses, however, it may take several years to get to this point.

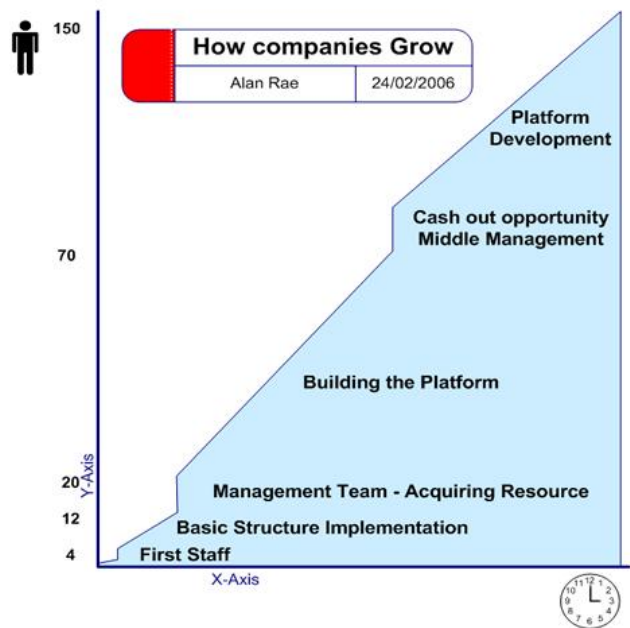
Then one day they may get the opportunity to trade with a larger organisation. Or they may decide that they need to secure a base load of business which can come from a larger player rather than continuing on knocking over small deals. This is likely to precipitate a "formality" crisis if the organisation is not prepared for it.

If we remember our model of how companies grow this is what we have come to call the dawn of formality transition which typically happens at the 5/6 employee level.

Because the truth of the matter is that larger organisations, particularly public sector ones will expect you to behave formally.

I had the good luck to work on the Supplier Development strand of the national e-procurement project or NePP (as Research Director) a few years ago. It became obvious that unless the business has someone at senior level that not only understands but likes doing process the business will not succeed at this game. There are lots of independent consultants around who are great at what they do but who are always saying- "oh I can't be bothered to do tenders - it takes too long and they always have a preferred supplier." While there is some truth in this there are ways round it. One is to become part of a gang which we'll talk about later.

Another is to get someone on board if you haven't already got one who likes doing process. Because if you haven't you'll go no further.



On the NePP we used to have a joke one question diagnostic as to a company's capacity to play with the big boys. You were to look the MD squarely in the eye and ask "can you tell me what a KPI is and why it's important". If he didn't know what a Key Performance Indicator was, you could be sure that it was game over.

Traditionally the company accountant fulfils this role - or in a smaller company, the office dragon. Office dragons can be set up to hold the boss to account - within certain limits. This can be particularly useful in dealing with a key crisis of growth - the first salesman. Better to get an office dragon to work with the boss/salesman over a 6 month period to pioneer a strict sales monitoring regime so that the suit when finally employed can be held to account than employ an endless series of "real" salesmen who need to be liked by the customer more than they need to get a result - but I repeat the message of "Telling it face to face".

You can't ignore this and hope that it will go away. If what you do is rare enough you can still get parachuted into a corporate and pick up a £100k contract on little more than a diagram and a handshake. However increasingly the private sector too is in the government supply chain. And government procurement is about implementing government policy as much as it is about placing orders. Hence the hoops.

Anyone registering for anything these days needs, for instance a sustainability policy. This conflates a number of ideas of what constitutes the good. So you will no longer get away with recycling toner cartridges, using low energy light bulbs and taking public transport wherever possible. You also need to have policies about making sure that your own suppliers behave themselves - and to spell out how you monitor them. If you want to know the full extent of the what you're in for you could do worse than look at the Olympic supplier site <http://www.competefor.com>

You need to be able to demonstrate that you're aware of your Carbon Footprint and are actually taking concrete steps towards doing something about it. This is on top of all the usual HSE and safety, equal ops and various accreditations that you need to display to operate in this space.

This will force you to get organised and is probably a good thing for the future survival of the company.

You really can't hack this unless your IT systems are up to scratch. You need to have all your evidence of policies, accreditations, financial stability and sales arguments all together in one place where they can easily be deployed. You have to write the bid in the right language and focus on what's actually asked for. And you have to remember that monitoring the way its delivered and providing for KPI audit is actually more important in the eyes of the procurer than the content of what you offer.

I've won a few bids in my time but I'm still not good at it. I'm just too interested in what will be actually delivered and what it will do for the ultimate beneficiary to play this game well. But we get by.

Just remember it's not going to go away anytime soon. In our Abandoned Heroes research project, we found that compliance with the demands of government and suppliers was the biggest driver for IT installation and upgrade in small companies. When even a Sandwich Maker employing 6 part time staff has to demonstrate complete food traceability under the regulations you can see the need for system. And as for what we have to do for the Soil Association.....Even the manure has to be certified!

How networks function

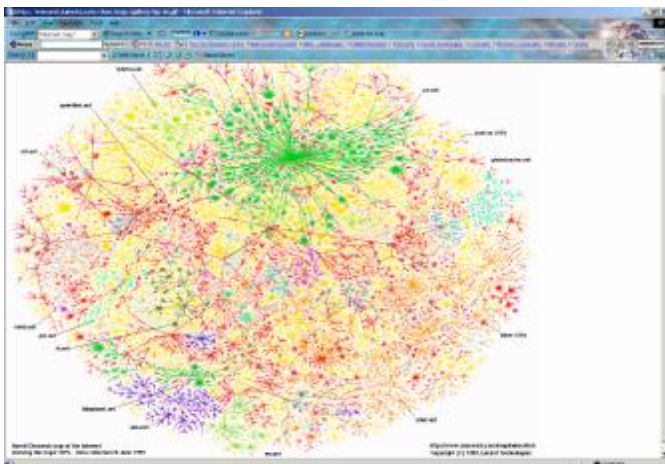
In today's world it's becoming more important to understand how networks operate.

People have always worked in networks – typically there are 2 approaches, one is to associate with a small group that supports you. This is traditional operating. The family works like this in Asian (or Italian!) communities. Modern versions like BNI and BRX work this way – a small tight knit group of individuals who meet regularly and share leads and breakfast.

However there have always been other types of networkers who join these close-knit groups. They have lots of weak ties to people and fulfil that friend of a friend function. Granovetter established that most job opportunities come through exactly this kind of weak tie.

However if you read into this you find that not all networkers are created equal. The defining experiment was carried out by someone called Stanley Milgram. He it was who established the 6 steps theory – that we are all connected to everyone in the world through 6 other people. He tested this by giving a letter addressed to an individual in New York to several hundred people and asked them to send this letter on a friend- of a friend basis to see what routes they took.

It turns out that the vast majority connected to this individual through just 3 individuals.

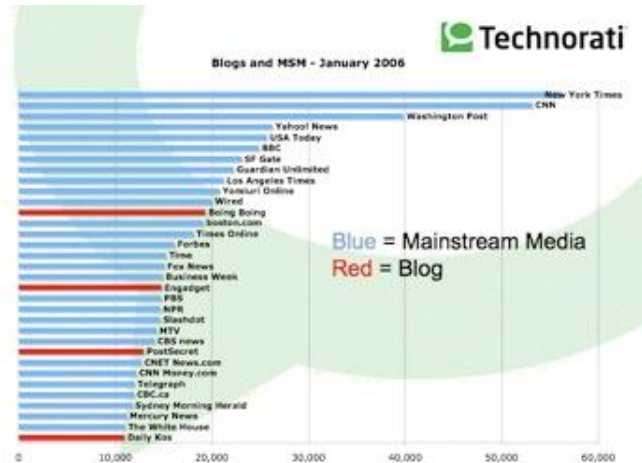


This illustrates the guiding principle of networks – they are lumpy, uneven. Some connectors are very much more connected than others. This applies to networks generally – look at this map of the internet that Lucent produced in the 90s.

What you notice is that it's very clustery. There are some really dense nodes in there that have loads of connections – while most have very few.

These are the points that lots of traffic goes through. In the traditional world sales agents are like this – they know lots of people and use their connection to do deals and generate money.

It's the same on-line – some people are just much more known and connected than others. You can see this in blogs. Here's the blogosphere (L) as seen by Technorati which shows the power of blogs invading the traditional news network domains. What this says is that there are a mighty few and a million also-rans.















Does this remind you of Geoffrey Moore, the Gorillas and the Monkeys – it should. We find the same patterns occurring in networks, markets and anywhere that people make a free-ish choice about what they do, read or whom they associate with.

For the scientists among you it's called Zipf's law. What this says is that the second player in a market has half the market share of the number 1 player, the third has a third, the quarter has a quarter etc. If for the sake of argument we say that the leader has a 40% share then the number 2 has 20%, the number 3 has 16% and the number 4 has 10%. These are the chimps – after that you're in monkey territory. This means you have to

decide as part of your business strategy whether you are going to play in the fat-head or the long tail.

So if you're a blogger you're going to decide whether to be Boing Boing or Craigslist or whether you're going to demonstrate your expertise by knowing a lot about a little.

The same is true of networks. Here are the top 6 UK networkers on Ecademy (I'm currently number 95 in the UK with around 1130)

Name	Organization and Location	Network size
 Thomas Power *  Ecademy London UK		18728
 Jim Tuffin *  http://www.jtuffin.co.uk Southampton Hampshire UK		10560
 Geoff Cox *  Business over Breakfast , Birmingham		6436
 Denis Kondopoulos *  Naxtech.com Reading Berkshire UK		3485
 richard perry *  Maidenhead Berkshire UK		3451
 Andrew Widgery *  Business Scene Ltd Haslemere Surrey UK		3433

So as you can see the theory is supported in that the pattern holds

Thomas Power is the polar extreme from organisations like BNI and BRE and maintains that quantity of connections is all. He maintains that the money is in the connections not the nodes. Clearly as the head of a networking organisation it works for him. But that is his life.

What's unique about <http://www.Ecademy.com> is that it effectively supports both online and off-line networking. It's method of connection is essentially random. One of the issues with networking is to strike the right balance between focused and targeted networking and Ecademy is good at delivering measured amounts of randomness.

<http://www.linkedin.com> by contrast is completely purposeful. It essentially maps your first 3 circles of connectedness and lets you plan a route of introductions to whoever you are trying to reach / sell to. Then you can ask your network for introductions and you will be passed on or not according to the strength of your reputation. We'll return to reputation in the section on building trust.

So making use of a network, small or large, involves aligning with and getting to know the most connected members - and getting them to trust you so that they will pass your ideas or opportunities on.

However there is taxonomy of these individuals. Some are essentially salesmen, some just like connecting people, and some are subject experts - mavens in the terminology used by Malcolm Gladwell in his book, The Tipping Point.

So you need to be clear what you're doing in the network - are you selling, looking for advocates, employees or finance - or are you just trying to get ideas spread - the individuals chosen to work with will be different in each case.

You may need to consider incentives if you are to truly motivate them to amplify your own activities. In Seth Godin's useful book "Unleashing the Idea Virus" he identifies either money or kudos as motivators for highly connected individuals. (It looks like we're back to the usual trilogy of fear, greed and fashion here.)

In this regard reputation is behaving as a personal brand. It brings you a dividend over and above the number of connections you can make with by your own efforts.

Building Trust

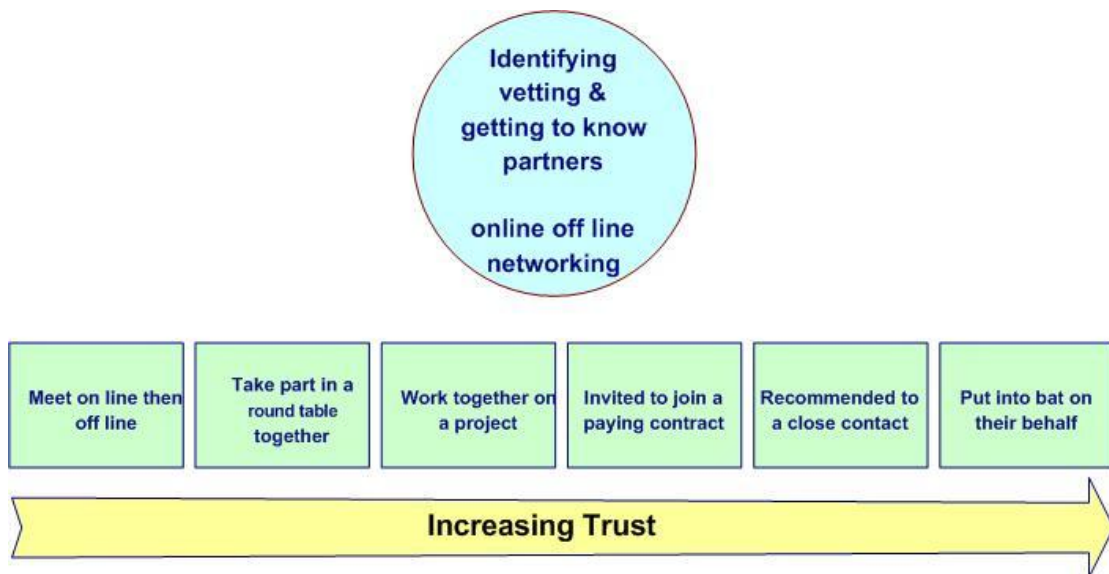
This brings us neatly to the issue of building trust and developing a reputation.

I have always thought that reputation is made up of 3 components

- Knowing your stuff
- Being able to deliver
- Being likeable or at least easy to work with.

I asked my customers what they liked about me and items one and 2 were pretty much as per the list. In my case number 3 was "you say bollocks a lot". This is called personal branding.

One school of thought is that when you are networking you should be looking for advocates rather than sales. Our current research projects have been looking into this and we are currently testing a model that looks like this.



As you can see it grows by stages. In most cases you will probably have to meet up – although sometimes you don't – I was project manager for a series of policy documents that we wrote for the Welsh Government last year. I never actually met one of the team – although other team players knew them.

In most cases you trust people that you've got to know and with whom you've worked on something that's not a life or death project. As time goes on you work with them on progressively larger contracts until eventually you feel comfortable to put them into bat on your behalf.

Personally I am in several groupings of people that have got to know each other over the years. Some from my previous network, some that have come about through my membership of online networking groups.

In our current research project, we asked some open ended questions about how trust develops - for the most part it's a combination of early opinion and likeability reinforced with recommendation, seeing them at work or experience of their deliverables. Liking and experience seemed to be the most influential components at least in the preliminary results.

Most people who responded seemed not to have a systematic process of developing trust. A few wanted to work on a project with them first, but several relied on randomness and the "right feel"

To recommend someone they met networking, the more cautious souls would want to see their work before recommending. If the skills were rare or there was a good match between the buyer and the seller, the majority of respondents would mention them with a caveat that they had no personal experience.

When people are networking the most common thing they are looking for is actually people to collaborate with. So understanding how these processes operate in a networking environment is very important. Seeking for referrals was actually second.

The key skills of networking were thought to be

- Listening Skills
- Communication Skills
- An attitude of givers gain.

Givers Gain (also sometimes called "paying it forward") means doing favours and passing referrals on first and wait for the law of karma to work on your behalf later when you have enough good karma points in the bank. Thomas Power has even attempted to quantify this as 50 gives = 1

get. Spamming everyone with business cards and the “always be closing” approach seems not to work in this environment.

This is in line with Cialdini’s identification of the principle of reciprocation as one of the cornerstones of building strong human relationships. The other main ones are Commitment and Consistency, Social Proof, Liking, Authority and Scarcity. This is all summarised in his book “Influence – Science and Practice” which I would say is a must for anyone serious about building a successful business presence.

If you can build and maintain a good reputation for competence in a sought after area and are generally pleasant to deal with, networking is a great way of leveraging your ability to reach more customers.

So this involves

- Looking good – all the research shows that the beautiful get more business. If you can’t look beautiful at least try and look symmetrical. It may not be PC – but that’s how our heads are wired.
- Being absolutely clear about what you do. I am hopeless at this because while my actual expertise – innovation through using IT for small companies in a marketing context aka how to do business – is quite tightly defined it gets used in so many different ways that the clarity is hard to retain. My twitter profile gets closest.

“Turning knowledge into Wisdom since 1981. Research, structure, present, set to music” But then Twitter serves those with severe attention deficits.

- Being consistent
- Being easy to talk to
- Listening a lot
- Finding helpful connections for the other person.

However above all you have to be clear about what you want out of it – be it collaborators, referrals, employees, introductions to finance. If you are helpful and you let other people know clearly what you do and what you want, consistently – then the magic will start to occur.

None of this is really new of course. Here are 2 quotes that sum it up

- 1) You have 2 ears and 1 mouth - use them in that proportion. *Every sales course you've ever been on.*
- 2) Just tell them what they want to hear. But there's a catch. You have to mean it. *Dale Carnegie didn't quite put it like that - but that's the message of How to win friends and influence people.*

Building Gangs

As we mentioned in the section on building trust, one of the main drivers that people have when they're networking is that they are looking for people to collaborate with.

Many people find themselves setting up as one man bands (independent consultants) later in life after a lifetime in a corporate. While the corporate world has some real downsides, if you are an expert in your field it has a number of advantages that the small business owner doesn't have.

These include

- People to do your admin for you
- People to do your I T for you
- People to do your selling for you
- People that your skills complement to make a complete offering.

However life as a 1 man band is different. You have to either pay someone out of your earnings to do all the above - or you have to do it yourself.

It's a truism that if you are delivering services yourself you can't sell when you're delivering and you can't deliver when you're selling. So you might consider forming a little gang of like minded people whose skills complement yours and form a consortium.

This lets you share the load of bidding and spreads the cost and time of customer acquisition. The importance of this can be judged from the preliminary returns from the research project. The average organisation spent about 14 hours on marketing per week which is what you might expect given that most were selling business services, less than half turned over more than £100,000 and employed more than 2 people.

So if the ratio of promotion and admin to delivery is approaching 1 to 1 it makes a great deal of sense to form a collaborative gang which will allow you to deliver a more complete offer to your client as well as spread the load of tendering.

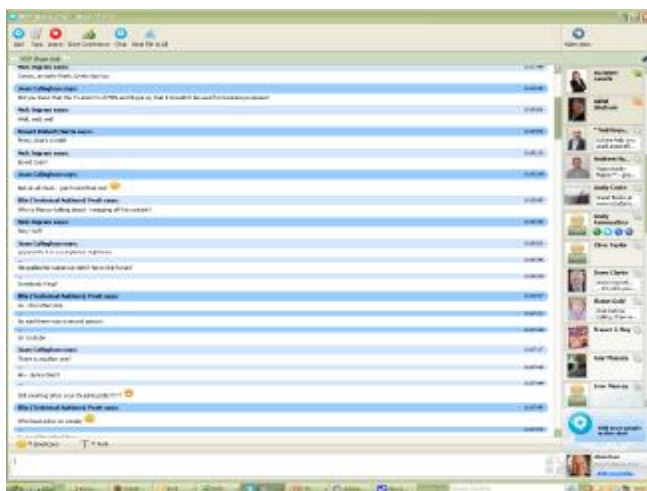
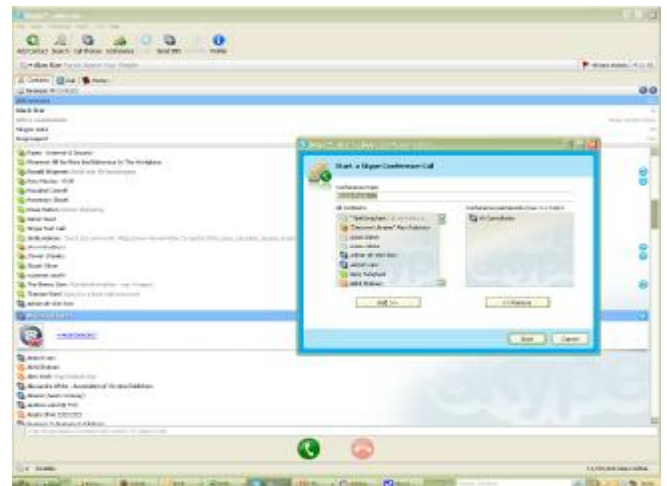
Once trust is developed and you are in a position to start collaborating, the current development of the internet has made life very easy for you. Most of the tools you need, both for online networking and for collaborative working are either free or comparatively inexpensive.

You can even share subscriptions to streams of leads. Many government tenders are notified on portals like <http://www.sell2wales.co.uk> and <http://www.direct2.gov.uk> while you can also subscribe to services like Skillfair which will direct particular types of contracts your way.

Apart from email, the main tools you need are a tool to deliver voice over IP (VOIP) which will let you hold conference calls and run chats plus a document repository where you can store documents, manage the email threads and generally work collaboratively. It's only about 8 years since that was effectively beyond the resources of even a 20-50 person company. So the power of broadband has effectively changed the balance of power for the individual worker. Effectively all you need is a laptop with a wi-fi broadband connection and you can work anywhere. More to the point you can project manage from anywhere too.

So what are the tools of choice?
<http://www.Skype.com>,
<http://docs.google.com> and Docs and BaseCamp are 3 that should be in the frame for any aspiring gang creators.

Skype includes VOIP, video conferencing 1 to 1 only, teleconferencing (up to 5) and chat (up to 50 in a chat). It's free if both parties are on Skype. It effectively revolutionises how you do business because any gang can have its own permanent running Skype chat. This means that anyone can raise a topic and it sits there until one of the others has time to deal with it.



It has a much greater immediacy to it than e-mail and is almost entirely opt-in. Because it multi-tasks its possible to have ongoing conversations while engaging in writing complex documents - like this one.

This is what it looks like and

here is an example of an ongoing chat. As you can see there are about 50 people in this with topics constantly coming and going.

It can be used in a much tighter way between 5 people delivering a project together, Check it out at <http://www.skype.com>

Google Docs is a powerful tool that allows documents resembling word, excel and PowerPoint to be hosted by Google and accessed by you and your team. The real benefit is that you can have a team of several people working collaboratively on a spreadsheet at the same time, each updating their own sections. You can have a look at <http://docs.google.com>

BaseCamp is a product of [37 signals](#) that also do a chat product and a hosted CRM application. I have been using it to support my projects for the last 18 months. It essentially gives you some space to store the definitive project documents, allows people to comment allows you to enter and agree milestones and track progress.

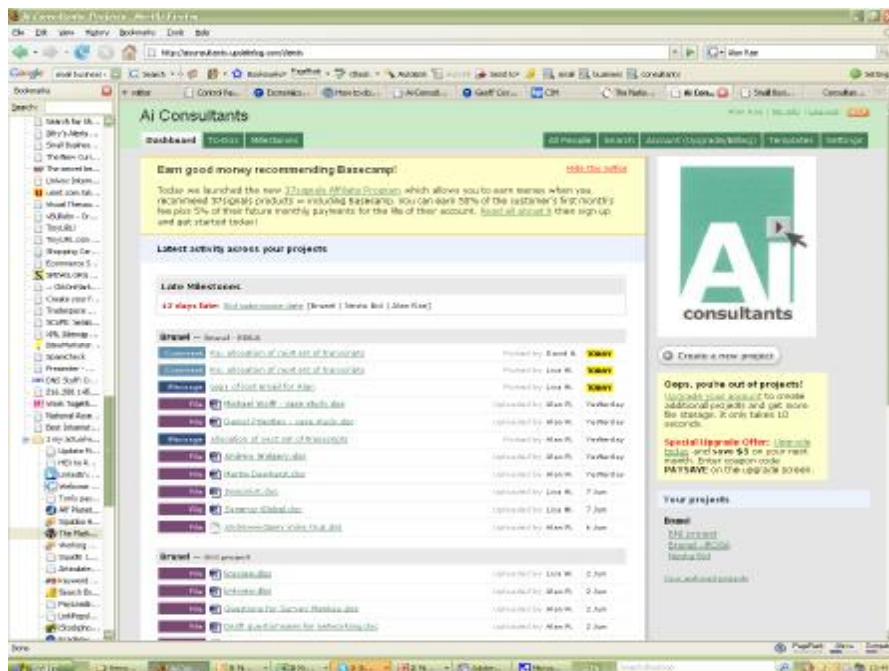
I have a fairly modest subscription of about £6 per month which allows me to run 3 live projects plus as many archived ones as necessary. It's real benefit is that it deals with version control, saves you having to be constantly emailing files to everyone and manages the audit trail of emails as commented threads.

Because its all properly backed up it means that your documents are more secure than sitting on your own server at home.

Uploading files is easy and I've now run 5 projects using it.

Costs range from \$12 per month for 3 live projects and 1 Gb storage up to \$149 per month for unlimited projects and 50

Gb. The more expensive versions also contain basic project planning tools and timer recording.



You can allow your clients access to the environment too so that you can add transparency of project management to the other benefits to the customer of dealing with your organisation.

BaseCamp, in its larger capacity offerings is a secure, encrypted environment. This can be very important to clients as would be need for secure encrypted environments for Video Conferencing and chat.

Skype is a free environment but there are other, equivalent, products which for a modest monthly fee will deliver an encrypted and more powerful service. <http://www.megameetings.com> for instance will offer video conferencing for 5 at its entry level price and will also offer the facility for secure teleconferencing with recording and transcript facilities.

These tools facilitate the development of groups of consultants functioning as consortia which will enable them to bid more successfully for contracts and deliver them more effectively.

This obviously has an impact on the whole smarter working agenda which we're going to look at next.

Working Smarter

One of the issues that's really come to the fore this year is the issue of the Carbon Footprint. Sustainability has become a hot topic with it's inclusion in all public sector bidding together with a knock on effect into the private sector supply chains that supply them. This means that for a start you need to have a proper environmental policy. Lamely wittering about low energy light bulbs and recycling printer cartridges is not going to cut it.

When you combine this with the recent hike in 1/3 of the cost of diesel (which translates into more than double for the heating oil for our nursery) you can see that anything that allows people to work remotely and flexibly without travelling is going to be a GOOD THING.

So working smarter not only gets you some brownie points with the public sector bidding fraternity but also allows you to save fuel and transport costs. In our own business nearly all our orders come electronically or by referral. In terms of travel all the despatches are collected, produce is either collected or delivered by van and most business travel involves a 10 mile round trip to Hayward's Heath followed by the train. Going to the Thames Valley still involves driving but increasingly we are trying to hold meetings either virtually or in central London where participants can meet using public transport.

Most of the IT tools that are needed were covered in the section on collaborative gangs – because most work that's done remotely is either communication or writing reports or creating other documents or admin – apart from decentralised call centres that is!

The challenges for ordinary companies who aren't one man bands fall into several categories.

- 1 – The tax and health and safety implications of having staff working from home.
- 2 – Keeping road warriors in contact with their central data store. Again the blackberry and Virtual Private Network have largely resolved these issues
- 3- Monitoring output.

This last seems to be the killer as we have evolved a management culture of presenteeism in the UK which is hard to break. Monitoring sales people is easy because they're measured by results. People producing written work are also easy to monitor because either the volume of work produced to an acceptable standard is there or its not. The problem lies in admin work which is less easy to monitor.

As you might expect organisations like BT have behaved as early adopters here. They now have 63000 – 2/3 of the total workforce working remotely and flexibly. What follows is taken from a WorkWise case study. (<http://www.workwise.org>. was set up to promote remote and flexible working in the UK it has a list of accredited advisers of whom I am one. I have been working remotely using a laptop since 1996)

Management Issues

When flexible working was first introduced into BT managers were concerned about the lack of face to face contact with employees and how they could keep track of them on a day-today basis. Now the technology is able to bridge that gap and make the job easier but managers still have to work harder to create a team environment. They must be able to Build teams remotely using technology and team-building skills. They also need to learn to manage by output, setting clear objectives for each individual and measuring against a score card. This is underpinned by BT's culture which supports flexible working and regular appraisals.

There are eight different working styles to choose from, each of which has a different contract and packaged IT and telephony solution. Also there are tools to help managers and employees set up remote working effectively such as a web site and a catalogue of furniture which has to be used by people working at home.

Implementation

BT has put HR policies in place to ensure that flexible working and home working are implemented successfully. They want to be sure that the home office is ergonomically sound and insist on a health and safety check for all home workers.

Managers need good communications skills both one-to-one and with the team. Although this is more difficult than with office based people, most employees have mobile phones and a growing proportion now have

blackberries. Increasingly people have wireless enabled laptops and BT takes full advantage of the technology it sells to its corporate customers.

The onus is on employees to let the company know what their preference is for working time. Managers need to respect this and need to trust that the employee will get the work done without close supervision. This is dependent on the maturity of the employment relationship and BT runs a management development programme internally that supports the flexible working culture. There is now little resistance from management to this way of working as it has been running successfully for such a long time.

Conclusion

BT has been running a flexible working programme for so long that in most parts of the organisation it has become the norm. It has clear quantifiable data on the benefits and has the HR policies and support in place to help managers implement it effectively.

Our experience has been that it more than pays off, very rapidly."

So the action points here are

- 1) make sure that the equipment is up to date and is used in a reviewed, ergonomic environment
- 2) Measure a range of different outputs.
- 3) Institute a combination of chats and environments for informal discussion.
<http://www.Ning.com> is a great tool for this as it provides a social network in a box and can be used for customer aftercare as well as for enabling teams to communicate.



The illustration shows our Ning Punch above your weight community which we set up to support people who've been through the programme

- 4) Train managers in developing remote team building skills. Much of this is about treating people as grown-ups, being responsive, keeping them

informed and working on the basis of defined, measurable objectives. We are developing some training materials based on these issues.

Finally some of our interviewees have developed environments of their own to allow people to collaborate and to effectively make markets. Mark Lee has set up an environment to allow tax advice specialists to sell their services to the mainstream accounting profession. You can see it here <http://www.taxadvicenetwork.co.uk/>

Perhaps the most ambitious approach is Michael Wolff's <http://www.Ki-work.com> . This aims to provide a global remote working environment which will be run by subject experts in each of several hundred specialist topic areas. These will recruit their own network of consultants and will be able to bid for contracts to be delivered remotely across the world.

His marketing strategy is based very much on the networking tools we have discussed. Consultants will be sourced through Facebook which as its membership matures will become the chief space in which talent can be found. Contracts will be sourced via Linked-in whose transactional, corporate feeling environment gives a feeling of safety and respectability to those who have not yet jumped ship.

Cash in

And so, at last, we come back to finance. Business link research has always shown that access to finance comes after Sales and Marketing and regulatory compliance in the concerns of small businesses. Everything else comes nowhere.

So where do we get our money from. Do we bootstrap and max out our credit cards, do we borrow from family and friends. Do we find an angel, do we go to venture, do we hit the bank?

The answer as always depends on where you are, what you are trying to do and where do you want to go.

If you are setting up as a consultant, your needs are different from that of an inventor who's got a revolutionary idea for a consumer product. (Most are going to get nowhere but occasionally you get James Dyson)

We've done 4 business start-ups with a fifth on the horizon.

The first one we each put in £3k but we relied on our business partner who had £20k in the bank (this was 1981)

The second one we had 2 second hand computers, a mailing list and the clothes we stood up in. (What does that tell you?)

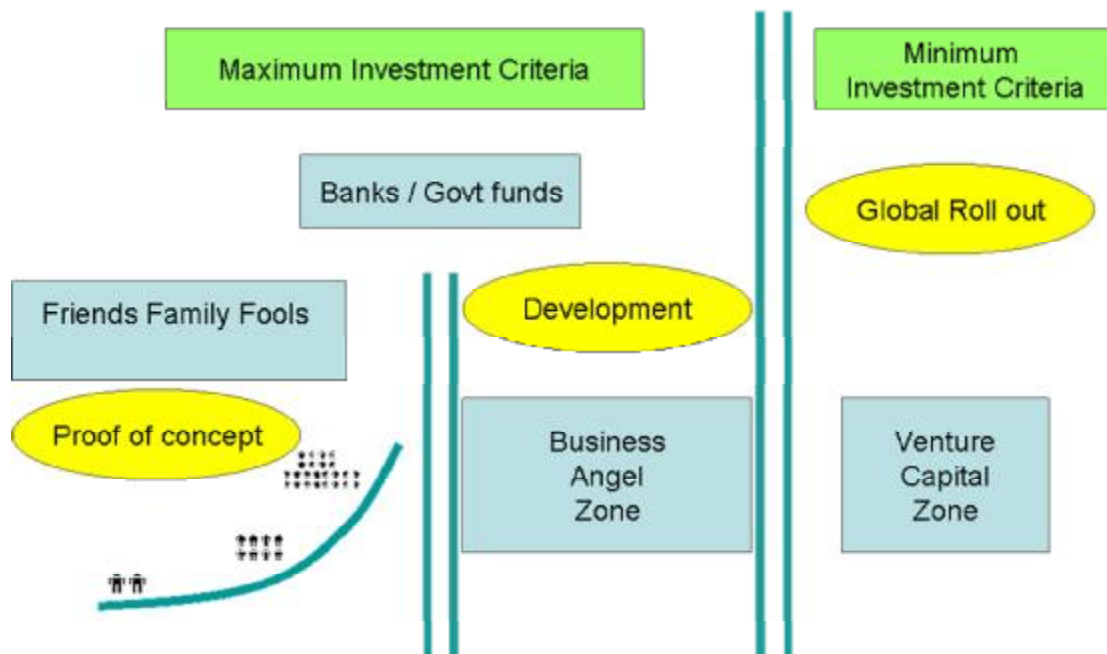
The third was a management buy-out from a government project funded by an Angel - let's call him Uncle Zak (not his real name). I was demoted from entrepreneur to Guru on account of my great age and wisdom which is why I'm writing this now.

The fourth time we walked out after an uncongenial merger and did another cold start. Although we were reasonably well off by then. We're now in our 5th year of trading with a turnover of half a million.

The fifth is a collaboration that's come about as per some of the earlier sections but it won't be discussed further in this e-book.

Fundamentally you have to establish where you are in the overall scheme of things and whether you are running a 1 man band, a life style business or a growth business bent on dominating some global niche. One of the

luminaries on Ecademy set up a club dealing with global finance. This diagram was developed to encapsulate what I learned from there and to summarise the overall process – you will know by now that I like diagrams to encapsulate overall process – must be some deep personality flaw.



This essentially tells us that there are several stages in getting finance. First of all you need to establish that you have got a business model that is going to work. If you just want a life-style business that earns a nice little profit employing up to about 10 people then Friends, fools and family will do nicely. If you are looking to try an invention this is where you should be looking. VC's won't touch you. They are only interested in funding things that they know are going to work. That's why they are entrepreneurs.

There's a lot of nonsense talked about entrepreneurs and risk. Actually you try and minimise the risk – don't bet serious money until you know it's likely to work and try and get an unfair advantage. Our unfair advantage in the current business is that my business partner was able to write the e-commerce engine herself – she'd been writing database apps for 25 years by then with about 8 years experience of putting them inside browsers. It saved us a really risky bet of about £30k on an unproven business model since all that was at stake was her time.

As you can tell from our history, whenever we've been putting up the money we've bootstrapped. In our second business I spent 6 months on

the phone cold calling and managed to get enough orders to finance an office manager and the first salesman. Once it was rolling it was a nice little business that lasted 10 years. This is not to say that we didn't use overdraft facilities nor that we didn't use our suppliers to fund the business.

Basically I used to ask for cheque on installation (we were selling CAD systems) and expect to get paid in 15 days and I would take 45 days credit instead of the 30 we were supposed to have. That meant I had 70%+VAT of a month's turnover (usually around £50-60k) of other people's money in the bank to fund the business.

However if we had wanted to expand seriously I would have had to raise some more money (I didn't know that then - I still believed in continuous organic growth.) That would have meant an angel.

Angels are generally good for a couple of hundred thousand and they will see you through the development phase until the point at which you are ready to go through the full scalability transition to dominate a small global niche which is going to need the full VC treatment to pay for the scalable IT system and all that marketing. They'll be looking for a proven business model and a strong team.

Angels are more flexible. But as it says on the diagram, they have a maximum amount of money to lend while a VC has a minimum amount that they'll commit to. As the old saying goes it's easier to get £250k than £25k.

Anyway, Uncle Zak was mustard in some ways. We used to call him dealmaker pro. He was really good at trying to get 4 major players to fund some madcap scheme or other by telling them that the other 3 were in the running. I've known him raise £40k like that. But being a corporate lifer he had no real idea of what running a small business was about. Ruthless control of costs is easy to say but needs an attention span greater than the mobile phone wielding shark chasing the next deal has at his disposal.

Don't get me wrong - I enjoyed working with him and liked him as a man. But 25 years of running businesses leads to a hard dry wisdom. And angels want their money back. We had some great times and did some great work but in the end he took too much money out chasing pet

projects. (Been there too - we used to have pretensions to be software developers once upon a time) and he ended up merging us with some corporate weasels who were totally anal about everything.

So we jumped ship after about 6 months to set up our current business which has been funded from retained profits except for the bank loan to buy the nursery. As you can see, banks have their uses - but don't expect them to understand your business or advise you.

Business plans are about people and proven business models. In our current business we've managed to meet the targets that we gave to the bank - which were a downgrade of what we expected to hit. You need some wiggle room after all. That's what you need to be able to come up with if you are going to get serious players to part with their money. However friends fools and family are often more forgiving.

So start with them.

Don't unless you're desperate, max out your credit cards and I would say that Rich Dad's advice to always pay yourself first is good advice. It forces you to go out and earn to pay the others. Otherwise you become used to genteel poverty. Which is not what you signed up for - I hope.

Cash out

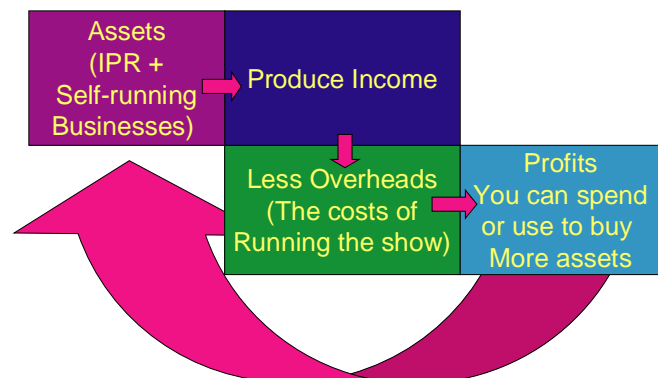
Well here we are – almost at the end of the road.

This is very naughty really because one thing I have learned is that you should START with the exit strategy.

Because it determines how you set the thing up in the first place. 2 of the people that small business owners read a lot are Michael Gerber of the E-Myth and Robert Kiyosaki aka Rich Dad. However in all the wishful thinking and dreaming the core messages get lost.

Gerber's is that you should be building a sausage machine to deliver whatever it is you want to produce. Work on the business not in it means that you need to build systems. This is not to everyone's taste but as I've said before – if you haven't got someone on board at senior level who likes doing this – you're going nowhere. Kiyosaki's main insight is that you grow by getting enough capital gains under your belt to buy an income stream.

Businesses are income streams – so if you want to be successful you need to think about what you're doing in those terms. Just to remind us here is a diagram we looked at earlier. Businesses produce income which after you've taken off the expenses give you profits you can spend or invest.



So if you want to sell your business on or get additional investors you will need to get it into a condition where it is a self running income stream. We talked about how to track the growth of value in the business earlier on. However where you go with it depends on what you want do with it.

Basically do you want a capital gain or do you want a pension?

When we set this business current business up, our view was that we wanted to set up a system that we could carry on running indefinitely as we get older and feebler. We called it pro-tirement. We arranged our affairs so that we had some money in the stock market, some property, a

business to sell and a business to hang on to for the pension. In our initial vision <http://www.HowtodoBusiness.com> - which effectively produces knowledge products was seen as the pension while we imagined that Plants 4 Presents would be the one to be sold on to someone for whom it had become a competitor.

In our 5th year it looks slightly different. The expansion of <http://www.plants4presents.co.uk> has meant that not only have we acquired a 2 acre glass nursery (currently growing organic veg) but our daughter and my sister are now shareholders and members of the board. Getting the bank loan to buy the place was as dependent on us having a strong team with continuity as it was with the figures in the plan. So indenturing the kids turns out to be an additional exit strategy to add to the others.

We've also acquired a business. This sells biological controls (ladybird larvae to eat aphids and nematodes to eat slugs) mail order. We were offered it by one of our suppliers and after a bit of haggling we acquired it for 3 times the net annual profit - a fairly widespread rule of thumb for buying or selling businesses.

So if you want to sell your business for cash - you need to demonstrate it's sustainably profitable. Chances you will have to earn out - continue working for some time - 6 months to 2 years is usual - to ensure you haven't left any nasty surprises in the woodwork.

Just remember businesses have a finite life-span - taking the money when it's offered may give you the chance to move on. I had some-one interested in Ai Systems once - but I knew better and ignored it. A real entrepreneur will always be looking for opportunities to cash out.

The other approach is to build a residual income machine which continues to sell whether you are active in the business or not. A knowledge product internet based business would seem to be the answer - but there's a lot of competition and it's a long haul. After 4 years I'm about 25% of the way there - but as you persist critical mass becomes nearer.

Finally if you are seriously going for growth you can take the business public. This will however eat a lot of your life and probably involve 2 or 3 rounds of venture finance. It can't be done organically. However once you get into the swing of it it's possible to make serious money.

There is no right or wrong. It depends on who you are, your attitude to money, security and status and what you value in life.

It also depends on where you are in your life. As a couple around 60 with our kids through University our attitudes to what we want to do are different from someone of 40 with kids they need to put through private education. We can afford to be more experimental in our approach.

The joy of business is you can use it as a vehicle to live your life on your own terms. Sometimes of course you may have to work harder than you planned. And it may not work – the customers might not want what you have to offer.

But as long as you stay afloat you can always start again next week and have another crack at getting it right – or at least fine tune the model.

If you've got to the end let me wish you well with your business and hope that you find the journey as interesting and enjoyable as I have

Alan Rae
The Glasshouses
Fletching Common
2008

Postscript – Effective networking and marketing

If you are a one man band – you need referrals for sales because you haven't got time to behave as a salesman would – and if you did you couldn't deliver the results

You might consider collaborating as a gang so you need to go somewhere to find business partners who will complement your skills and let you share the costs of customer acquisition

If you are a somewhat larger company you will probably be interested in using networking to find partners, suppliers and employees. You may well be in that zone where you have got to the end of your ability to generate enough sales personally. So you will be looking to play the advocacy game and build long term, feeder relationships,

If you have created a growth business then you will be looking to find distributors, financiers and influencers who will enable you to get into larger supply chains.

And if you are in the corporate sector, you may need to demonstrate that you understand this stuff, use tools like linked-in to find the key man essential to your next deal or find the next job!

You will probably know who or at least the kind of person you need to reach.

You must be clear about several things to be successful as a networker

- 1) How networking operates
 - a. The 6 steps theory
 - b. The power of weak ties vs. commitment and advocacy
 - c. The clumpy nature of connectivity – who are the key players in your universe – how to gain their support and advocacy
 - d. Understanding how information passes through networks
 - e. Understanding of the available tools and what they are good at.
 - f. Understanding how different groups are incentivised and motivated

- 2) What might you want from your networking
 - a. Brand Building
 - b. Finding gang members or other collaborators
 - c. Referrals
 - d. Advocates
 - e. Partners and corner stones
 - f. Financiers
 - g. Employees

- 3) What practical skills might you need?
 - a. Active listening
 - b. Creating an attractive profile
 - c. Taking effective part in round tables
 - d. Ability to create, friends, colleagues and advocates
 - e. Paying it forward, sharing
 - f. Cat herding
 - g. Leading in a network
 - h. Focus on Trust Building
 - i. Vision and Branding skills
 - j. Identification and Motivation of key people
 - k. Ability to acquire technical support
 - l. Managing distance and flexible working
 - m. Setting up and Managing communal safe working environments
 - n. Ensuring integrity of data
 - o. Integration of Crucial Detail
 - p. Brand Policing

- 4) What tools might you use
 - a. Linked In
 - b. Face Book
 - c. Ecademy
 - d. Xing
 - e. BNR / BRE
 - f. IOD, CIM, CIPD, Local Chambers of commerce, FSB etc
 - g. BaseCamp
 - h. Ning
 - i. Wordpress
 - j. Business Scene

5) How much time should you be spending on all this on line and offline marketing and networking.

We are all short of time. What's the right balance for you between on line and off-line marketing – what role should networking play in all this?

These are key questions for your future success and we would like to contribute to it.

Some of these ideas are covered in outline in this e-book.

However you may need some further help.

We offer, in conjunction with our partners a range of tools to help you.

Some of these are knowledge products – like e-books and distance learning courses

Some are workshops

Some are start up services

Some are consultancy offerings – market research, new product development, strategic marketing, innovation and branding.

And some are specific tools with the appropriate training to go with them.

Our most popular items are listed on the next page

Thanks for your interest.

Alan

Products to help you.

Market Planning Tool – free from <http://www.howtodobusiness.com>

Our blog – <http://blog.howtodobusiness.com>

This discusses business and marketing issues which we come across in our own work or which strike us as interesting questions in their own right. And sometimes there's something a little bit frivolous.

e-books

[Punch above your Weight](http://www.punchaboveyourweight.com). Covers all you want to know about online marketing. The workbook from the workshop £15+VAT from <http://www.punchaboveyourweight.com>

[Growing your Business](http://www.howtodobusiness.com). If you are planning to expand your business and need to develop your marketing, business processes and IT systems in parallel this is the book for you. Based on 25 year's experience of running small business it repackages the ideas from training packages I developed for the DTI and the EU and it's full of self assessment tools and checklists to help you deal with the business barriers that companies have to overcome to grow – <http://www.howtodobusiness.com>

Courses

Complete Sales and Marketing course on CD - 4 flash movie modules – powerpoints with voice over covering “What's your story ”

“Telling it in writing”

“Telling it face to face”

“Telling it on-line” Available for £77 from <http://www.1manbrand.co.uk>

[Growing Your Business](http://www.howtodobusiness.com) All that a business needs to do to grow and trade effectively in the networked economy. Based on work for Ukonline for Business and the EU Leonardo project, plus 25 years experience of running small organisations. It deals holistically with issues in choosing partners, trading with larger organisations, measuring your progress and promoting yourself online. All 4 modules £170 + VAT from <http://www.howtodobusiness.com>

Workshops

Punch above your Weight. All you need to know about making yourself look big on-line. Covers ad-words, blogs, search engine optimisation, social networks, video and RSS. It's all about building a compelling presence without having to spend your life at it - which none of us can afford to do. Further details at <http://www.punchaboveyourweight.com>

Vision and Branding. All you need to know about developing a compelling brand. Run in Conjunction with Sussex Enterprise - next event is on 7th October with a further one on 22nd January.

Strategic Marketing, Designed as an in-house workshop. Will help you develop your vision and brand by establishing what your story is and where you are going to tell it. On-line, in person and in writing. Also covers the fundamentals of developing your product portfolio. More details at <http://www.howtobusiness.com>

Consultancy

Get you started programme You buy 3 days of our time to be called off over a 3 month period. We set up a Google ad-words campaign to establish what your best keywords are. Then we show you where to put them into your site to attract the most traffic. We work with you so that you become self sufficient and able to do it for yourself. Then we set up a blog for you and get you started while training you to take over. At the end of the project you can manage your own on-line marketing. Programme works on a 1 to 1 consultancy basis - total cost £1800 + VAT. Worth every penny. You can book through <http://www.howtodobusiness.com>

We also offer strategic planning and market research and new product development services. Telephone 0845 094 0407 for further details.

Other tools If you want to get painlessly into social networking you could do worse than join [Ecademy](#). If you want to know more about search engine optimisation take out a subscription to Planet Ocean's Unfair advantage. <http://www.searchenginehelp.com/moredetailshere/>

Affiliate Programme. We offer an affiliate programme so that you can sell some of our products and make yourself some money in the process. If you would like some more details follow this link. or ring me on 0845 094 0407