

Start-ups Need Plan, Focus

07/04/05

This week's question is about getting started, and comes to us from an entrepreneur, who is planning to launch her second business this summer. The business comes out of her search for the perfect handbag. Having surveyed women on what they want in the perfect handbag, She is now testing designs, using unique, gorgeous, high quality material, which comes from her husband's upholstery business.

Her question is this: "How do we, as a start-up, stay our course, and keep our targets, so we hit the end result that we want, for ourselves personally and for the business?" This is a practical question, as she will be balancing several jobs: supporting an existing 2 year old business, assisting her husband in a family owned upholstery business, and keeping time available for her grandchildren.

Interestingly, she never planned to be in business for herself. But, in 2003, she was downsized from what she considered the perfect job, and she had to figure out what to do next. She started with an organization called Stampin' Up, where she creates beautiful cards through the medium of stamps, and recruits others to do the same under her guidance. This experience has given her valuable insight toward growing her next business.

Basically, she knows what she has to do:

- form a master plan, that defines what she wants the business to be
- turn the master plan into numbers that help her to measure progress and stay on point
- focus on daily activities and priorities, and minimize the distractions
- set up a good foundation, basic tools, that will serve the business well as it grows
- balancing tactics vs. strategy

When she started her first venture, she never had a business plan. She got 2 years into the business, and realized she'd put the cart before the horse. This time she wants a master plan right from the start. She needs to include how big she wants the business to be, how much she is willing to invest in its growth, whether she wants partners or investors to help fund growth, how many employees she wants, how much time she wants to devote to the business versus having time to enjoy being grandma, and what she would like an exit to look like. It is easier to work towards an exit in small doses, over time, rather than trying to pull it off within a year of the time she decides to let go. She realizes that without a plan, she could end up working till midnight, not knowing if she was making progress, and get chewed up by the start-up efforts.

She wants to build a specific, 5 year plan for her company. With

no experience, the first pass at forecasting annual growth rates will be pure guesses, and will have to be adjusted annually, based on results. 30% to 50% growth in the early years may be possible, depending on effort and capital available to fuel growth. As the business passes the \$1/2 million mark, she will want to slow growth rates to 25%, then to 15%, which is a good, sustainable growth rate for most businesses, if they are well planned and funded.

She hopes to adopt a POD, or plan for the day, to stay the course in her new business. POD is a military concept that daily lets everyone in a unit know what is expected of them. It keeps everyone on the same page and tied back to overall objectives. Focusing on one day at a time is a valuable concept in a new small business, where there are so many things to work on.

She has some basic tools to set up, such as logo, website, accounting system, customer and prospect management tracking system, freelance staff to help with production, selling process to bring in customers and order entry to handle inbound inquiries. The more of these tools that she can get set up early on, the better her life will be later on. One of the big mistakes most start ups make is saying they can't afford infrastructure in the beginning. They waste time, effort and

Start-ups Need Plan, Focus

07/04/05

money trying to fix problems that crop up because of lack of infrastructure, and often end up holding the business back from realizing its full potential.

Fortunately there are lots of off-the-shelf tools that are easily customizable, and affordable for a start up. I recommend she get a good laptop she can travel with – Dell is my favorite, because of their quality and service reputation. She'll need QuickBooks, for accounting, forecasting and reporting; ACT or Goldmine for Customer Relationship Management (look for a recent Ask Andi article for more information on CRM systems). She needs a patent attorney for advice on copyrighting her logo, some assistance to set up a simple website that people can use to place orders, and to buy a list of prospect boutiques, from a source like Dun and Bradstreet. She also needs to be sure to incorporate, as a basic good business practice.

With her POD, basic tools, and a 5 year plan, she can go to work balancing tactics and strategy, with the infrastructure in place to help her perform at the high standard she wants to set for the business. She can effectively divide up, and plan each day. She'll have to figure out which customers to pursue versus how much business to pull in off the internet. She'll keep track of daily challenges, and business basic,

like getting digital photos of all of her designs, producing samples and filling orders. And she'll use her plan to decide when to hire the first staff member. Good luck with the business!

Looking for a good book? Try 6 Week StartUp by Rhonda Abrams, published by The Planning Shop, Palo Alto, Ca. This is a great, step by step instruction book, laid out by week, with the actions a new business start up needs to take. Wonderful, practical advice!

Business owners regularly turn to Ask Andi and Strategy Leaders for advice on how to grow profitable, successful companies. They find what they need time after time. Specific advice is available at www.AskAndiBlog.com. Ask Andi is also published weekly in the Westchester and Fairfield County Business Journals and Hudson Valley Business. Written by Strategy Leaders President, Andi Gray, the Ask Andi column is a rich source of advice for owners of established, privately held businesses.

If you are a business owner and you have a question or would like to discuss some aspect of your business, call [1.877.238.3535](tel:18772383535) or send an email to AskAndi@StrategyLeaders.com.