

PLAN TO BECOME



plan to grow - how to get to the next level

By Amanda Gome - SmartCompany.com.au

On the long weekend I ran into a friend who had just come out of hospital after a series of tests on a numb leg. The conclusion? Not a brain tumor. Just exhaustion and stress. Once more I used the opportunity to tackle my friend about hiring some staff. My friend, let's call him David, runs a small surveying business.

He refuses to employ anyone, citing the costs, the red tape and the management hassle. Instead he would rather work himself into a state where his health is under threat. He is not alone.

What is happening to Enterprise Australia? I was alarmed by the latest figures from the Australian Bureau of Statistics, released last week. They show that we are a nation of shopkeepers and home-based businesses dominated by monopolies and duopolies.

The figures released by the ABS show two surprises. First, in the so-called 'Age of Entrepreneurship', there are fewer people starting new businesses in Australia. In fact, the growth of start-ups during the past three years has almost halved, from 2.2% growth of new businesses in 2003-04 to 1.3% growth in 2005-06.

Second, the start-ups are not growing. There are almost two million businesses in Australia. About 59% of them employ no one but themselves.

Of the 41% of companies that do employ, the vast majority (68%) employ between one and four people. Less than 1% employ more than 200 people.

Research into small business has consistently shown that when businesses employ staff they have a much greater chance of survival. They contribute innovation, create the bulk of jobs, change their industries and make their competitors more productive.

In fact, the ABS figures show that of the new start ups in 2003-04, only half were operating two years later compared to 80% of new employing businesses.

So what turns a start-up with no employees into an entrepreneurial company that employs more than four staff? What do companies have to do to get out of the starting blocks and give themselves a much greater chance of survival?

My research at RMIT University in conjunction with RMIT professor of marketing, Kosmas Smyrniotis, shows there are nine major characteristics and factors that distinguish the business owner who can move beyond Company 101.

Successful entrepreneurs need:

1. To accept the growing realisation that you just signed your life away for at least two years ... but remember, you will get it back.

It is a sad joke on all those people who start businesses to secure more flexibility, independence and freedom. During the business start-up phase, fast-growth entrepreneurs regularly work at least 60 hours a week, almost 10% of them more than 75 hours.

It is not surprising that over a third of entrepreneurs report start-up burnout. We know that the longest hours spent working in, rather than on, the business is during the first two years. And entrepreneurs always tell you the first few years are by far the hardest. Get through this and you might have a business employing 10 people,

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which seems to be the magic number for longevity.

Comments abound on the need to take time out, get away, rebalance, delegate, employ more staff, work less hours, slow down, refocus on business and personal growth, take more personal care, spend time at the gym, and importantly have more self-time. Wishful thinking!

But at some stage the clever entrepreneurs talk of reaching a point when suddenly they get their life back, (See Naomi Simson's latest blog) and of having the structures in place to let them work on strategy and not in operations.

2. The stamina to face a credit squeeze and pass through the stage of worrying about cash flow night after night until the business is structured properly to avoid these worries.

Founders rely heavily on personal savings, credit cards, and money borrowed from family and friends. The formative years of business start-up are the hardest financially because entrepreneurs have limited working capital and have incurred large debt, consequently paying themselves low salaries. Sizeable capital overlays have been invested in the companies, despite start-up capital in many instances being as low as \$5000. Relatively high employee overheads virtually zero cash flow, and small markets further limit the ability of companies to grow to the next level.

While entrepreneurs of any size cite cash flow as a major problem, the smart ones put in systems and use bookkeepers and accountants to control it.

3. The capacity to mature at a personal level along with the business.

For entrepreneurs, individual and professional maturation usually occurs in tandem with business growth. On an individual level, personal development requires a continuous re-engineering of attitudes to enable current behaviours to align not only with one's original reasons for going into business, but also to reflect medium to long-term goals.

Often founders of businesses that move beyond the home base must develop their emotional intelligence and recognise and leave behind perceptions and ideas that prevent them developing human resource management skills.

They must also develop the maturity to make the hard decisions, which can involve moving on staff who are unable to make the transition to being part of a larger company.

They must also "let go" and hire people who can manage customers so the customers still feel they are getting the close personal service they got from the founder.

4. The guts to be able to change strategy quickly, and the commitment to learn planning, organisational and HR skills.

Change is also reflected in the business planning practices of entrepreneurs; almost a third of fast start-up companies plan on a daily to monthly basis rather than the traditional 12-to-36 month timeframe. Fast entrepreneurs know well the negative impact of poor planning on organisational culture, market growth, and recruitment practices.

Recruitment and retention of best staff are important factors that enable the business to make the transition to the next level. HRM practices concentrate on reducing churn and recruiting staff who are technologically savvy, creative, fun to work with, passionate about what they do, and who communicate effectively and fit the organisational climate and the company's culture of innovation.

5. The determination to develop the skills to take the business to the next level:

Other contributing factors to shifting to the next level of growth involve the establishment of a recognisable brand; aggressive risk-taking; sound management practices; use of ITC for communication with customers and suppliers, and selling products via the internet; developing either niche, local or global markets; holding an in-

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depth understanding of marketing positioning; and providing customer value and quality customer services.

6. To develop a willingness to share the profits:

Don't become too greedy. There must be a willingness to share profit and equity with key staff. Too often one-man business owners say they do not grow because they do not want to lose any profit. Or they can not afford to hire people. But they will not grow to their potential unless they do.

7. The capacity to accept assistance and be motivated by mentors or coaches:

Loneliness and isolation often hinder moves to the next level of business growth. The best entrepreneurs use a business coach, mentor or entrepreneur groups and communities to address these issues. Coaching needs to focus on the rigors of planning, how to improve business systems, finance and cash management, and staff retention and recruitment strategies. On a personal level, confidence building and personal growth focus on big picture elements, development of ethical and corporate values, and establishing a healthy work-family-personal balance among other challenges.

8. Knowledge that appropriate corporate governance mechanisms must be set up from the start.

This includes proper recording and filing and note taking at meetings, to setting up boards with independent directors who bring specific skills to the table, such as ITC, finance, and HRM; and establishment of advisory panels.

9. To think global

Have a curiosity and hunger for information about how the world and specific industries are changing. Be prepared to explore exports soon after you start.

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