TIPS....

To Improving the Probability of Venture Success

About 50 per cent of Canadian small businesses fail within their first five years, regardless of the industry, studies show.

The problem isn't due to a lack of ideas or money.

Success requires expertise in managing both, supported by sure-fire marketing, research and sales-savvy strategies.

So why do so many small businesses fight for survival? Here are the most common mistakes made today:

Lack of market research
Entrepreneurs who think they have no competition should think again. All businesses have competition whether it is readily apparent or not. It's critical to do some competitive intelligence at the outset, including scanning the Canadian patents database, talking to customers and potential customers about their needs, and simply doing a Google search about the industry.

Failure to understand the impact of fast growth
Financing growth through all stages of a company's development is essential to success. During periods of fast growth, cash collected can be insufficient to cover the cost of the increasing volume of inventory and labour to meet the increasing product demand. This causes an enormous drain on cash reserves, which can bankrupt a business if it is not properly managed.

Lack of cash flow
Most entrepreneurs provide 65 per cent of their own start-up capital, and the remaining funding comes from friends, family or co-workers, according to a report from Babson College and the London School of Business. Having a positive cash flow will ultimately open doors to outside sources of financing. Cash flow builds confidence in investors – it's more important to a small business than its balance sheet.

Poor communication with partners
In the early stages of growing a company, regular communication with bankers, suppliers and customers is key to getting through the bumps. Building a strong relationship with the bank or suppliers – and keeping them aware of short-term cash crunches and the company's plans to address them – is often the best way to survive any surges.

Poor record-keeping and administration
The seemingly small task of keeping books up-to-date can greatly affect business success. Strong managers know their company's financial status – how much money they have, how much is owed and to whom. These three key administrative details should never be delayed: sending invoices quickly, collecting receivables on time and keeping inventory at a minimum.

Ignorance of tax credits
Entrepreneurs at high-tech start-ups often think that Scientific Research and Experimental Development (SRED) tax credits require too much paperwork and time to file. Yet, one developer of a new product line recovered more than $85,000 at a time when the company was still generating losses as its product was introduced to market.

Failure to network
While many business owners find themselves too busy to attend events and meet fellow entrepreneurs, networking is well worth the time. The goal is to share and learn from experiences and find mentors to consult with who can help a small firm navigate potentially fatal challenges.

Unfocused sales strategies
Young businesses are typically all over the map on sales targets. They'll sell anything to anyone, as long as it yields a return. In the end, this strategy fails to build a strong market and leaves the door open to competitors. Small businesses with tight budgets should build sales with existing clients.

Poor grasp of marketing
Marketing can be a small business's biggest hurdle. In a survey of 200 aspiring and early-stage entrepreneurs by Communitech, the Waterloo Region Tech Association, 37 per cent of respondents said that market understanding and market validation were their greatest challenges.

Advertising is the most expensive marketing tool. Marketing, however, also includes keeping customers happy and loyal, increasing average sales value and improving business processes.

Staffing difficulties
It's not uncommon to hear a small business owner complain about his or her employees. But investing in staff should be an important element of growth. Start by replacing the word "staff" with "team"; this promotes greater cohesion. Owners should involve employees more in the overall operation, give them projects outside their job boundaries and provide training, education and good communication.

Hesitancy to reach out for help
Many entrepreneurs want to see their businesses grow but don't know how to move forward. It's critical for young companies to seek advice from people such as accountants, lawyers and seasoned business advisers. Small-business people often say, "If I had only known about that funding opportunity," or, "If only I was introduced to this particular banker who specializes in my area sooner." A study by Dun & Bradstreet showed that more than 90 per cent of small businesses were still in operation after five years if they had outside expert assistance.

Think Strategically ....

1. The foundation for a sound strategic plan is goals. They provide direction and focus and well as a basis for finding alternative ways of achieving them. Never lose sight of your goals.

2. Forget about "the way it's always been done"! Think about how things could be and / or should be. Get outside your comfort zone!

3. Practice creative thinking. Tell yourself that no idea is too crazy. Generate as many ideas as possible. As an example, take one of your products or services and list all of the possible ways it could be marketed remembering that anything goes. Force yourself to be creative and think "outside the box".

4. Analyze and process data and information in an unbiased manner. Good long-term strategies are developed around good information and sound logical reasoning. Take the time to gather good data/information, but don't get caught up in over-analyzing things !

5. Look outside the operating environment. Learn to look at customers and markets available to you. Get externally focused ! Understand your markets.

6. Think in strategic terms rather than task-oriented terms. For example, suppose a goal is to grow revenues at an annual rate of 9%. This sets off all kinds of task-oriented thinking (ie: staff needs, promotional materials, space planning, new skills, etc.). Think more in terms of alternative strategies for growing the business, new ways to penetrate existing markets with a new product, how to motivate people to support your vision, etc.

7. Become a thinker ! Take time to sit back and clear your mind of details and just think. Think less about details and more about your goals and how to achieve them. Step back and think big picture on a regular basis. Find quiet time to do it. Thought can be the most productive form of work.

8. Generate as many ideas as possible. Quantity will often breed quality. Also, some ideas can come together to form very effective strategies.

9. Network with people serious about success. Learn from their experiences, insights and thinking abilities. As well, utilize each other as "bouncing boards" to accelerate learning and become a more sophisticated business person.