

Preface

This book is about the essentials of managing a growing small business. How do we define 'small' and 'growing'? 'Small' means not big in scale or part of a larger business, not quoted on a public stock market, and owned and managed by the founders, or their progeny. The founders (or their progeny) continue to work in the business and depend on it for their livelihood, since it has survived the start-up stage - the first five or so years. In these early years, teething troubles in production, delivery and operations have been successfully resolved (a large proportion of small businesses fail in their early years: figures from the UK Department of Trade and Industry¹ show that 65 per cent do not survive beyond three years and research by Barclays Bank² puts average survival rates at 34 per cent five years from start-up). The business is now producing a quality product or service for its loyal customers, most of whom have been retained since the very first sale was closed. The business has satisfied customer needs to an acceptable standard all this time. Most of the first people recruited by the founder are still there, though many new faces abound. The founder and the management team have a modicum of management skills between them and these bare essentials give rise to some optimism that the firm can, if internal and external conditions are propitious, grow from small to medium-sized.

So we come to growth. By 'growth' we mean a business that demonstrates (or shows visible signs of) a propensity to expand operations significantly, because it satisfies a number of important growth criteria. These criteria include: there is continuing excellent service to customers (generating repeat orders, customer retention, referrals from satisfied customers and sustainable gross margins); the founders demonstrate their ability to manage internal operations effectively and efficiently (resulting in control of unit costs and satisfactory net margins); the business has a track record of sustained profitability (even though that may not be abnormally high); and the founders have sufficient credibility to raise the necessary finance externally, although, because of rising profitability, the business can finance a proportion of fixed and working capital from internally generated funds. The growth business we have in mind typically exhibits some or all of these characteristics, though usually erratically. The main reasons are that management resources are volatile and also that there are few, if any, systems in place to support sustained, profitable and orderly growth.

Finally (and some would say critically), successful growth is achievable because the founders have an empathy with people. They have well-developed interpersonal and communication skills and they know instinctively what motivates people to give of their best - this in spite of being considered mavericks or 'black sheep' themselves. Although they might lack 'professional' general management skills, they

probably have expertise in at least one key functional area, i.e. sales, production or operations. The founders are typically good examples of hard-working, diligent and effective contributors to the business and they manage to engender similar responses in their key people. They lead from the front.

The fact is that there are few people like this running growth businesses successfully. Many dream of transforming their small business from an informal 'lifestyle' activity into a medium-sized fast grower, lured by the challenge of managing rapid growth or by the prospect of large earnings and selling out at a fabulous price. Many of these business owners have written a business plan, which is usually gathering dust in a filing cabinet, setting out a growth strategy, and a smaller number have tried unsuccessfully to put the plan into action. However, most business founders prefer a simple and sedate existence, which is achieved by working long hours at relatively low rates of pay. They typically don't want the bother of recruiting and managing staff; the product or service *is* the business for these people and they often excel at making and delivering it. They play an important economic role as generators of wealth and social progress, but they aren't interested in running a growth business.

We have aimed this book at the many business founders who aspire to be among the few, at key managers working alongside the many, and at others who work with or need to understand the nature of the management task that faces founders of growth businesses.

Why should you read this book? It has some serious themes; it also has a hidden agenda - how to run your growing business and stay sane, to succeed on your own terms while simultaneously tuning in to the demands of customers and staff. The book came to be written because, having worked with small, sometimes rapidly growing businesses for many years, we believe that our experiences of how clients strive to manage business growth and the lessons that can be drawn from their endeavours are worth recounting. We know how difficult it can be for busy entrepreneurs immersed in day-to-day operations to get away from the office or factory floor and stand back to consider how they can move forward rapidly and profitably, and not collapse under the weight of their own success. A short, practical book on the main management issues facing growth businesses could help. There are modest advantages to reading above other learning media, and many entrepreneurs have a preference for learning in small, bite-sized chunks, which is what a short book can readily provide. For one thing, it is possible to telescope the most important issues into a very small space and make it portable. A book is cheap and disposable - if you don't like it, just throw it away! It can't come back. It's hard to get rid of an expensive business consultant quite so quickly. And a book requires no explanation. You can leave it lying around and it won't complain, it won't phone you up and remind you how useful it can be (some assumption!). And you can pass on the book without any implied insult to colleagues and key managers.

This book is full of fundamental insights into how growing businesses should be managed. You might be doing very well managing the business with consummate professional ease; but then you might read this book and get just one good idea

from it. That single idea could be worth tens or even hundreds of thousands of pounds. Or it could give you an unparalleled opportunity to get away more, do more strategic thinking and, who knows, improve your golf handicap or spend more time with your long-suffering family. Wouldn't it be worth it?

Notes

- 1 Department of Trade and Industry, VAT deregistration statistics, www.sbs.gov.uk.
- 2 Barclays Bank, Barclays Small Business Survey Q3 2002, www.business.barclays.co.uk.