Suggested Activities

Activity 1

Imagine that you're starting a company that sells state-of-the-art home security systems. Your mission statement is a one-liner:

To keep families safe.

Think of five bullet points that reflect how you plan to carry out your mission and how it's influenced by your own values.

Activity 2

Imagine that you're the owner of Charlie's, a successful concession stand at the county swap meet. You're pleased and surprised to be making as much money at these weekend swap meets as you did working 40 hours at a job you didn't enjoy. Your business is a big part of your quality of life, giving you the week off and an enjoyable thing to do on the weekends.

When Happy Max, another concession stand selling similar foods, opens a bay nearby, you feel threatened. You're tempted to try to crush his business. But it would mean a new strategy for your business—instead of focusing on what customers want and can eat while walking around the swap meet, you'd have to focus on undermining Max, a drastic change of your mission statement.

After careful consideration, you decide not to set your sights on defeating Happy Max. List three reasons why you might choose not to lead with an anti-mission statement.

KEEPING YOUR BUSINESS ON TRACK

Focusing on Your Mission

Once you've chosen your business and established your mission, you need to devise a way to stay on track, develop your business based on your goals, and measure your progress in a clear, concrete way.

First, you need those clear, specific goals. Without them, you have no way to know whether or not you've succeeded. Other people may consider you a success, but that's not as gratifying as reaching the goals you set out to achieve. And since no one can determine those goals but you, no one can determine your measure of success but you.

If you're a track runner and you win your race, the cheering crowds may consider you a success. Winning a race is nice, and nothing can take that away from you. But if your goal was to break the record, you will not be satisfied (Figure 15).

If your company is 3M and you break the national record for office product sales, you still may have failed. The sales are great and your stockholders will be happy. But unless your sales are based on having solved unsolved problems in innovative ways, you missed it.

That's why keeping your business focused is so important to your success. It's remarkable how easy it is to be lured off course. An opportunity to expand your business into an exciting new market comes along and, in the thrill of the moment, it's tempting to snatch it up. But your clear, specific goals and solid mission statement should keep you from following good ideas—and even exciting opportunities—that pull you away from your mission.

FIGURE 15—How will you measure your success? If you've captured new markets but haven't met your goal of breaking your record for repeat sales, you have not completely succeeded.

In some cases, of course, you may find that a new opportunity refocuses your intentions. While you're considering the opportunity, you may realize that it offers you things that you care about more than what you asserted in your mission statement. In such a case, you may be willing to change the mission statement, your short- and long-term goals, and the direction of your business itself to accommodate this new realization.

In the early days of a business, that kind of shift is understandable. It may be part of the process of discovering what means the most to you. But if it happens regularly, even after your business is established, that's another matter. You can't go after every opportunity that comes along. You must make choices.

For instance, if you're operating a one-person portrait photography studio that specializes in babies and children, you can't accept commercial jobs that require a team of assistants and you can't shoot weddings, no matter how profitable they may appear. If you decide to manufacture widgets, you can't suddenly change to gizmos when a potential customer moves into town. And if your wholesale food business is focused on the needs of upscale restaurants, you shouldn't try to supply a local daycare center, even if it's owned by your sister. When you choose only the options that lead directly toward your goals, your business will be on the road to success.

Stages of Growth

As your business evolves, your goals will evolve along with it. Keeping the doors open for the first year may be your initial intention. But after you've outlived the danger of going out of business in the first two years, you'll observe some significant changes in the nature and dimension of your business. Knowing about these changes ahead of time will allow you to take them into consideration as you form your long-term goals.

Five Stages of Business Growth

1. The start-up stage
2. The successful stage
3. The mature stage
4. The stability stage
5. The final stage

There are five stages of growth in a new business. Knowing the elements of each stage can help you get ready for the changes.

Typically, there are five well-defined stages of growth in a new business. The measure of success at each stage is different as well.

Stage 1: Start-up

The *start-up stage* includes creating a mission statement, making a business plan, and getting the original financing for the company. All of your energy in this stage will be focused on bringing the business to life. In human terms, it's much like a pregnancy.

Once the new business is born, you and your partners will be involved in the day-to-day activities of the business in a very hands-on way. You'll invest an enormous amount of time and money in getting things going (Figure 16). Often there are fewer employees and fewer profits during this early period.

FIGURE 16—In the start-up stage, all your energy will be focused on your mission, financing, and organizing your business.

Businesses that succeed in this stage are those that have clear goals and stay on track in reaching those goals. They've analyzed their needs accurately before opening the business, so that their assessment of their needs for capital were fairly accurate. When they spend more than they anticipated, they know immediately, because they regularly evaluate their progress.

FIGURE 17—The vast majority of small, privately owned businesses never grow out of the start-up stage. When the owner quits or retires, the business closes.

A particular danger of this phase, when less money is flowing through the company, is to hire an unqualified person who is willing to take a lower salary. Often a family member is brought in for the sake of security and convenience, but his or her lack of qualifications and personal relationship with the owner can be a fatal liability for the company.

Another danger is staying in the start-up stage too long. Many businesses never grow out of this stage. They're always making marginal returns on their investment and never outgrow their struggle to "keep the doors open." Among small, privately owned businesses, more than 94 percent stay in the start-up stage forever. When the owners retire or give up, the business folds (Figure 17).

Stage 2: Success

The six percent of privately owned businesses that grow out of the start-up stage reach the happy stage known as *success*. At this point, the business is not only profitable, but also has enough cash flow to be able to reinvest some of it back into the company (Figure 18).

FIGURE 18—Once your business has succeeded, you'll have many new choices: Support further growth? Sell the company? Incorporate? Sell stock?

A larger team of specialists, such as marketers, financial advisors, and production personnel, is hired. The business still relies heavily on the original owners for all the important decisions, but now there are new options: slow growth, fast growth, or selling the company.

Slow growth. By continuing to do things in the same way, the company establishes a stability that will last as long as all other external factors remain the same. This stage is called *slow growth*. Managers can be trained and given more responsibility, although the owners continue to be a dominant presence in the company.

Expansion and growth aren't necessarily part of the mission. In some cases, this may be because the market has been saturated. For instance, in a small town, a limited number of people need dry cleaning and medical care. Once that market has been tapped, expansion isn't really an option.

In other cases, the owners may not be interested in expansion. Their needs and ambitions may have been satisfied by growing the company to this comfortable level. It's a prime example of how companies can have very different goals. While many companies are designed to achieve as much success as possible, others aren't striving for that goal. Expansion and growth to other cities would introduce new elements of stress, demands on time, and management challenges that may interfere with the life values of these slow-growth owners. When they reach Stage 2, they're content to leave well enough alone.

Fast growth. Another option is to increase the growth of the company at a rapid pace, described aptly as the *fast growth* stage. Building on an established banking history and the stability of business profits, fast growth is possible once the business has achieved initial success.

Managers become important players at this stage of a business, since they'll be vital for the long-term growth of the company. The quality of teamwork becomes a key to the success of the company. New personnel are hired who share the company's vision and values, and who are invested in the long-term interests of the company.

Selling the company. After you've reached this stage of success, you may consider selling the company. Some entrepreneurs love the start-up stage and make a career of starting businesses and selling them at a profit. If you notice yourself beginning to feel bored or restless when the struggle is over and your company has become a success, you may be one of the ones who fall into that category. If so, think about selling the business and starting another.

Stage 3: Maturity

At the next stage, *maturity,* the company is well established. It has become incorporated and may even have sold stock. If not, it may be considering going public through an *initial public offering* (IPO), offering stock to the public for the first time, or through *direct public offering* (DPO), raising capital by selling equity in the company directly to the public.

The entrepreneur is still heavily involved in the company, but operates through a team of managers who run the company (Figure 19). The goal of the company at this stage is to fine-tune its services or products and focus on the returns for its stockholders.

The owners may take on an advisory capacity, and keep or sell their stock, but leave the company. The greatest danger at this stage is for the owners to stay too closely involved, even though they don't have the skills and experience necessary to run a major corporation.

FIGURE 19—When a business reaches maturity, it will be operated by managers, and the owner's involvement is less direct.

Stage 4: Stability

Companies that reach the *stability stage* are large and well established. They've grown beyond what we would consider "small business" to become a major force in their industry and are in line for membership among the Fortune 500. Managing the large financial interests of the company while

retaining its original spirit is the measure of success at this stage. If that original vision is lost or the company fails to adapt to the changing environment around it, the company may well slip into decline and ultimately go out of business. It's essential to balance the company's past achievements with new standards for success.

Stage 5: Final

If the company stops growing and evolving toward its vision, it has reached the *final stage,* becoming vulnerable to a hostile takeover by a competitor who has the strength and aggression to make it into something new. Even if a competitor doesn't appear, the board of directors may realize a change is needed and hire a new CEO to breathe fresh life into the company. Restructuring and rejuvenation are the hallmarks of success at this stage. They keep the company from sinking under its own weight and becoming a dinosaur.

At this stage, spin-offs and subsidiaries often come into play. The company expands in new ways and may even consider completely new branding. If the change is accomplished, the company can continue to thrive for years to come.

Measuring Your Progress

If your short- and long-term goals support your mission and they're concrete and measurable, they'll also help you evaluate your progress along the way. Disney's mission statement may be "To make people happy," but you can be sure that their business meetings aren't spent wondering whether people seem happy enough. While never taking their eyes off that vision, the executives at Disney set very concrete, quantifiable goals. It's progress toward these that they track and evaluate along the way to making people happy. You'll do the same in your business.

Sometimes the only difference between a goal that can be measured and one that can't is the wording. "Sell higher-quality products," for example, is a fine goal, but it's worded too vaguely. Six months from now, how will you be able to measure whether the products are of higher quality? It may be true that you'll "just know" whether the quality has

improved or not. But as much as possible, your goals should be quantifiable, not subjective. That way, the measure of your success is certain. Board members, investors, partners, and employees will be much more likely to agree with your measure of success if they can see an evaluation in black and white.

Choosing Goals That Can Be Measured

Changing the wording can often turn a vague goal into a concrete goal that can be measured. It's helpful to be very specific and include the standard of measure in the goal.

POOR:	Sell more cars.
GOOD:	Sell 20 percent more cars in the next fiscal year.
POOR:	Improve customer service.
GOOD:	Provide one customer service representative for every three customers; create a training program for every new customer service representative.
POOR:	Improve the dinner entrees.
GOOD:	Use only fresh ingredients no more than two days old. Buy only grain-fed meats and free-range chickens.

To track your progress toward your goals throughout the year, set up regular weekly or quarterly meetings to make this evaluation. At each of these meetings, you can make adjustments to your goals and clarify your long-term vision.

The traditional pattern goes like this:

ACT ➔ OBSERVE ➔ ADJUST ➔ ACT AGAIN

If you follow this pattern, you can be sure you're in control of your progress and aren't letting anything slide.

When there are employees and managers involved, have people who are responsible for particular aspects of the business report on their concrete accomplishments. Their reports should be both verbal and written (Figure 20).

FIGURE 20—Regular meetings are necessary, so managers can report on progress toward goals. When goals are set in concrete terms, you'll know when they've been met.

One feature of these meetings will be to determine how quickly the goals are being reached and whether or not they need to be modified. Often the goal itself, the timing, or the costs need adjustment. Further adjustments can be made in terms of tactical steps to take toward achieving the goals.

Decisions can also be made about whether to intensify your efforts or scale them back. As you make these evaluations, be sure to create new goals that are as task-oriented, measurable, and concrete as the previous goals. Without a way to measure your progress, you won't know where you stand at the next meeting.

Keep in mind too, that each of the adjustments you make will require a shift in your long-term goals. If sales have far exceeded expectations, you may surpass your one-year goal in as little as six months. When you make the short-term adjustment, adjust your long-term goal to reflect these changes as well.

The seeds of success are sown at the very beginning of a new business. Habits are formed that will either hold you in good stead throughout the life of your business or undermine you at every stage of growth.

Take the time to make clear, measurable goals at the beginning. Create a strong mission statement that reflects not only your goals, but also your deepest values. Make it a business that you can live with and be proud of, both for achieving its goals and the way it achieved them.

These are the keys to success that will get you started down the right track, no matter what your business. If you continue to measure, evaluate, and adjust your business as you go, you'll reach each new stage of your venture with the confidence to make whatever decisions are best for achieving your own personal idea of success.

Self-Check 2

1. At the *success stage* of growth, what are two of your options?

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2. What's the greatest danger at the *maturity stage* of growth?

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3. List and explain three actions that should be part of your company's regular evaluation process.

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Check your answers with those on page 33.