

The 7 Irrefutable Rules of Small Business Growth

Steven S. Little



John Wiley & Sons, Inc.

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*To the memory of
my nephew Dean,
who gave us all the gift of perspective this summer.*

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PREFACE

DID I REALLY SAY “IRREFUTABLE”?

Yea, I sure did. Ir-re-fu-ta-ble. There . . . I said it again. Without question, this is the one word that best describes what I’m trying to say. However, like many words, this one may have different meanings for different readers. To get us off on the right foot, I want to be sure that you and I are clear on *my* meaning. Let me explain.

SOME BACKGROUND

Throughout much of the 1980s and 1990s, I was president of three different fast-growth businesses. In each case, these businesses went from pretty small to considerably bigger (but still pretty small in the grand scheme of things). The biggest one reached more than \$12 million in revenue and 100 employees, and all three went through significant growth phases. At a relatively early age, I did learn a few things about what it takes to grow a small business.

I also learned that I liked talking about small business growth more than I liked actually doing it. I come from a long line of teachers and orators, and eventually the pull of that familial persuader gene proved more than I could resist. I

decided in early 1998 (along with my inexplicably understanding spouse) to pursue a full-time career as an independent consultant and speaker, specializing in the area of business growth for the privately held business. So far, so good.

Soon after, people began to hire me. In almost every case, they hired me based on my experience growing smaller businesses into bigger ones. That's what gave me credibility in their eyes. Whether it was as a speaker or a consultant, it was my past success that got their attention. I have now spoken directly with literally tens of thousands of owners and managers of private enterprises. To this day, people still usually hire me based on my real-world experience.

But here's an interesting thing. As I said before, I did learn a few things about growing businesses while I was doing it. However, I've learned much, much more about the concept of business growth since becoming a consultant, speaker, and "expert" in the field. What I've learned, combined with my experience growing small companies, is really what I bring to the table.

For years, I've immersed myself in the study of business growth. Who does it? Why do they do it? Why does this owner make it work and not that one? What do the academicians say on the subject? Successful entrepreneurs? Other self-proclaimed experts? The media? It's a fascinating subject and one in which your sources of information are never exhausted.

So what have I learned? For one thing, I've learned that back when I thought I knew everything I could on the subject of growth, I actually knew very little. I've also learned that the more I know about my chosen field, the less definitive I can be. In other words, the more I see and hear and experience what it takes to grow a privately held business, the less able I am to make sweeping pronouncements and general statements of truth.

For every small business study that points in a specific direction, there's invariably another that points in exactly the opposite direction. I can get consensus from one group of business owners on one idea, only to be shot down as irrelevant by the next. Even some of my own nuggets of wisdom, slowly unearthed during my many years of digging in the trenches, have proven to be nothing more than fool's gold.

But I *have* found a few concepts that seem to resonate with people in the know—people who have witnessed sustained, profitable growth. Through years of dedicated effort (aka trial and error), I've managed to hone in on a few big ideas that seem to make sense—ideas with which people I respect appear to agree.

How do I know they agree? It has more to do with what they *don't say* than what they do. On the whole, company leaders who've had even a modest amount of success become stark-raving "experts." (Believe me, as a former company president, I know.) They are never shy about shooting down anyone or anything that espouses ideas that are contrary to their own experience. (Believe me, as a speaker and consultant, I know.)

These seven rules of small business growth that I include in this book are not rules because anyone in particular agrees with them. Instead, it's because I can't find any credible individuals inclined to disagree with them. To me, that is exactly what makes them so gosh-darn *ir-re-fu-ta-ble*. It's not that they're scientifically proven. It's that no one wants to disprove them, because almost everyone already agrees with them. Does that make sense?

You'll find that I like to make use of analogies, so here goes the first of many. Everyone seems to agree that a rose is beautiful. The notion that a rose is beautiful is irrefutable, despite the fact that it would be impossible to prove. Sure, I guess we could conduct some type of poll about attitudes toward rose

beauty by various demographic groups, culminating in a statistical proof of general rose beauty across the human race. No one does this, though, because it's silly. A rose is beautiful, and everyone knows it.

The rules I present here are important, and everyone "in the know" knows it. They are irrefutable.

OTHER STUFF YOU NEED TO KNOW BEFORE WE GET STARTED

This is not a checklist book. Every year, I speak to literally tens of thousands of business owners and managers interested in growth. After the event, people often call or e-mail me with additional questions. Without a doubt, the second most common question people ask me is, "What book can I buy that will tell me how to grow my business?" (By the way, the most common is, "How can I become a speaker?" That answer I'll save for another day.)

The book question is an interesting one for a couple of reasons. First, they never say "read." It's always what book should I "buy." Perhaps I'm thinking about it too much, but the question implies (to me, anyway) that the mere act of purchasing the book will somehow help your business grow. My editor estimates that 20 percent or less of all business books purchased are ever read.

Second, the idea that someone has written a book that can give you specifics on how to grow your business is ludicrous. J. Paul Getty (a pretty successful growth guy) once said, "No one can possibly achieve any real and lasting success or 'get rich' in business by being a conformist." While a guaranteed 17-point growth guide checklist would undoubtedly be popular, it would also be irresponsible. Checklists don't grow businesses.

Instead of offering a checklist, this book identifies and examines those areas in which growth organizations concentrate their efforts. It is within these areas that the real magic happens, and that magic is up to you: the innovations and the revelations, the evolutions and the revolutions, doing it differently than anyone before, executing better than anyone has before. This is the stuff of real, sustained, profitable growth. In other words, I'm not telling you what to do; I'm suggesting where you should be looking to do it. At the end of each "rules" chapter, I have listed some suggested next steps. In no way should these be taken as specific suggestions. They are merely examples of exercises and questions you might consider to help you find your unique perspective on opportunity.

This is not a financial book. Any organization, big or small, needs to build a system that is able to deliver timely and consistent information about the financial health of the organization to the people who run the organization. Every business I ever headed produced a daily one-page "morning report" that highlighted the most important data for the day, month-to-date, and year-to-date. Revenue, orders, accounts payable, accounts receivable, inventory levels, and the so-called "quick ratio" (a measure of liquidity) were just a few of the numbers we considered every day. An Income Statement, a Balance Sheet, and a Cash-Flow Statement were produced and studied every month, without exception. I strongly suggest you do the same, because it will help you grow your business.

Having said that, this is the last you'll hear about financials in this book. The truth is that for many, if not most, business owners, it's a rather dry subject. It's also a topic that has been covered very well by many others over the years. Both of these considerations had some bearing on my decision to limit its direct exposure here. However, I would