

SMALL BUSINESS SUCCESS



November 2009

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Corporate Social Responsibility

The Marriage of Business and Social Responsibility

You almost can't go anywhere these days without hearing about Corporate Social Responsibility (CSR) and sustainable business practices. But what is it all really about? There is a lot of confusion about whether business and social responsibility should be mixing. For a very long time, the job of business was to make a profit, provide employment, and inspire and strengthen the economy. The job of non-profit and social organizations was to raise funds to look after global and local social issues. Except for unusual circumstances, the two did not have much to do with each other. With the shrinking global economy, and indeed the smaller global village we are all now experiencing, this disparity of purposes no longer seems to make sense. How much should businesses be involved in changing the world and making it a better place? Does the role of making the world better still fall solely on the shoulders of non-profits?

CSR, at its core, is a form of corporate self-regulation integrated into a business model. In this model, business would embrace responsibility for the impact of their activities on the environment, consumers, employees, communities, stakeholders and all other members of the public sphere. Furthermore, business would proactively promote the public interest by encouraging community growth and development, and voluntarily eliminating practices that harm the public sphere, regardless of legality. Essentially, CSR is the deliberate inclusion of public interest into corporate decision-making, and the honoring of a triple bottom line: People, Planet, Profit. (Wikipedia: http://en.wikipedia.org/wiki/Corporate_social_responsibility).

The practice of CSR is still subject to much debate and criticism, and people on both sides of the argument are usually passionately committed and vocal about their point of view. Proponents argue that there is a strong business case for CSR in that corporations benefit by operating with a perspective broader and longer than their own immediate, short-term profits. Critics argue that CSR distracts from the fundamental economic role of business. Others argue that it is nothing more than superficial window-dressing and a way for business to draw in gullible consumers who will buy from any company that brings attention to its CSR efforts.

Industry Canada promotes CSR principles and practices to Canadian businesses because it believes it makes companies more innovative, productive, and competitive. In addition to integration into corporate structures and processes, CSR also frequently involves creating innovative and proactive solutions to societal and environmental challenges, as well as collaborating with both internal and external stakeholders to improve CSR performance (IndustryCanada website: www.ic.gc.ca/eic/site/csr-rse.nsf/eng/home). So it appears the marriage of business and social responsibility has much support from even governments.

As with any marriage, motivation plays a huge part. It is tempting to jump on to the CSR bandwagon and assume that building social responsibility into business practices will automatically improve your bottom line. But just as marrying someone for what you think they will get you is a bad idea, so is creating social responsibility practices with the single goal of making more money.

David J. Vogel, Editor of the California Management Review and Professor of Political Science at the University of California (Berkeley) says, “We increasingly hear that corporate social responsibility has become a business imperative. Newspapers, magazines and books glowingly describe the business benefits of behaving responsibly - and caution managers about the business risks of a poor CSR performance.

Executives are repeatedly informed that by demonstrating concern for the environment, human rights, community development and the welfare of their employees both at home and abroad, they will make their firms more profitable. The belief that corporate responsibility ‘pays’ is a seductive one: Who would not want to live in a world in which corporate virtue is rewarded and corporate irresponsibility punished?



Unfortunately, the evidence for these rewards and punishment is rather weak.”

According to Vogel, there are many examples of companies with exceptional CSR policies that have been profitable, as well as companies with poor CSR reputations that have performed poorly. But there are at least as many examples of companies with good CSR records that have not done well and those with poor CSR reputations that were profitable. “For most businesses,” says Vogel, “CSR is largely irrelevant to their financial performance.”

In order for CSR to work it must be something that springs up from an intrinsic value within the business. The “marriage” between profit and CSR can only work if those two things are reciprocal, but not dependent, on each other. In other words, businesses promote social responsibility because they believe it is the right thing to do – not because they think it will improve their bottom line. Because the results of that marriage cannot be accurately predicted, according to Vogel’s statements above, businesses who are committed to CSR will be, because they see profit and value differently, and don’t merely measure its success with numbers on a balance sheet.

Many businesses are now looking at CSR the same way they look at any other aspect of their business; sales, marketing, HR etc. Having a CSR strategy is as important as having a marketing strategy. As the world continues to shrink, this is an area that we will not be able to ignore in the future. Every business, if not facing it already, will need to think about how it will function in a world where everything impacts everything else. No longer will businesses have the luxury of doing its thing without considering how that affects others. No longer will we be able to turn a blind eye to suffering that occurs both on the streets of our own towns and cities, and across the country and the world.

If you haven't already done some research on the impact a CSR policy could have on your business, it's time you did. Don't be fearful. After all, a CSR policy grows out of your own value system, so nothing is going to take over your business that you haven't thought through and believe in. Grab this opportunity to demonstrate leadership. Doing so MAY put you ahead of the game in your industry and your community, but it WILL move you toward more meaningful business practices that will make you and your staff feel proud of doing what you do.

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Strategies for Business Longevity

Learning from 100-year Old Businesses What it Takes to Succeed in the Long Run

I recently read an article by Ernesto Poza, professor at the Thunderbird School of Global Management, on family businesses that have lasted over 100 years. "Family businesses that are both long-lasting and successful have managed to beat stiff odds." says Poza. "Only 32% of family businesses are passed down to the second generation, and only 12% are still controlled by the founding family by the third." To find out what makes some multigenerational family businesses more resilient, Poza interviewed fourth, fifth, and sixth-generation leaders of 16 companies that are at least 100 years old. The results were fascinating. As I read the article, I found myself thinking about what it takes to make any business successful, and it seemed these proven strategies are as relevant as ever. Here's an insight into the characteristics that his research determined were the indicators of business longevity.

Commitment to Change

No matter what industry you are in, you need to notice, understand, and have the mindset to embrace change in order to survive for the long term. Think about the changes that a business started in 1909 has undergone to still be thriving today. Note the difference between being

willing to change, and committed to change. Being willing implies reacting to what is going on. Being committed to change implies watching, innovating and creating change, not only in response to what's already happening, but in anticipation of what might be coming down the road.

Longevity Checkup – how does your business respond to change? How do you? Is it something you do while you grit your teeth, resenting the fact that you've got to spend time, money, and effort to make one more change? Do you find yourself constantly reacting to what's going on around you? Or do you look for ways to anticipate change, be ready for it, even plan for it? Do you see change as a way to move forward and grow your business? Is it a necessity for growth, or is it a necessary evil?

Reinvestment in Growth

Playing it safe won't take you through 100 years. A commitment to change requires a willingness to put your money, time and energy towards activities that grow your business. New products, new staff, new equipment, new directions, new ideas. Businesses that are willing to spend their money on growth activities sustain longevity.

This week I attended a leadership conference where one of the speakers was a second generation business owner. Her company had been voted one of British Columbia's top ten companies to work for. She spoke of her journey in taking the business from a small local



enterprise to a multi-million dollar international company. In telling her story, she said that one of the keys to her success was her willingness to take risks, AND make mistakes. She said she actually rewarded failure in her company because when you try something new and it doesn't work, it's taken you one step closer to finding what will. At the end, with an impish grin, she said "And, it's a lot of fun!" Only that kind of attitude creates the best of the

best.

Longevity Checkup – how willing are you to invest in growth? Are you happy to play it safe, or do you look for ways to fail so you can get closer to succeeding? Are you willing to take a leap – not knowing whether it's going to be successful, in order to take you to a new level of growth?

Multi-generational Work Forces

Family businesses by their very nature have more than one generation in their workforce, but research has shown that companies that are successful have many generations represented on their staff. Everyone from the 20 year old not too far out of high school to the almost retired head of the company is valued for their input and listened to for their ideas. Cross-generational workforces are difficult to maintain. It takes a lot of work to understand and buy into the ethics,

philosophies, work patterns and ideas of another generation, but those who make the effort to do so benefit – from manufacturing to marketing to customer service. Cross-generational input provides innovative and unique approaches to problems and challenges and creates an energetic environment ripe for new ideas.

Longevity Checkup – do you tend to stick with what’s familiar when you’re hiring? Do you hire people who are like you, or who will challenge you because they see things differently? Do you educate yourself on the patterns, philosophies and ethics of generations either younger or older than you? Do you educate your staff so they are prepared to understand and embrace a multi-generational approach? Do you value what other generations might have to offer you and your business?

These attributes that Poza has found in 100 year old companies are simple, but are obviously effective in creating business longevity and success. Incorporate them into your business planning and see whether you can create both short and long term success.

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Spicing Up Your Staff Meetings

Let’s face it – nobody really likes staff meetings, but they are necessary to maintain adequate communication in your business. Even a small staff of 3 or 4 needs to connect regularly so everyone is up to date on the status of projects, upcoming deadlines, the meeting of budgets and sales targets, current challenges, and to ensure that nothing ends up falling through the cracks. But they are usually so dull aren’t they, and feel as if they go on and on. Try to get through a staff meeting without someone yawning and looking like they need a nap! Staff meetings don’t have to be like this. In fact, it can be the time in the week your staff most looks forward to. It takes a little innovation and discipline, but you can create a culture where staff meetings are energizing and contribute to building synergy among your team and creating greater productivity overall.

Step 1 - Tighten Up Your Agenda

The key to any successful meeting is a tight agenda. Timed agendas work best. You should know before you get to the meeting how long you need to talk about changing coffee vendors. If it should take 5 minutes, put it on the agenda, and don’t allow the discussion to go on for 15. Sticking to a timed agenda means everyone can be confident about when the meeting will finish, and makes for efficient attention to the details. If an item appears it will take longer than the allotted time, perhaps it means there hasn’t been enough preparation and it needs to be added to next week’s agenda. Moderate your meetings with attention to your agenda and you’ll find you have time to add other things that will contribute to teambuilding.

Step 2 - Think Team, Fun, and Meaning

Every time your staff gathers, it's an opportunity to build team, have fun, and create meaning in the work they do. Staff meetings, if you build in the time, can be the perfect vehicle to do those things. Perhaps a typical staff meeting takes an hour to do the "business" stuff. Add a half hour to do the "meaning" stuff. Maybe even do that first so that you create context and relationship building for the work that's to follow. Here are some ideas you can use to spice things up, build your team and create meaning.

- **Wins and Challenges** – go around the table and ask each person to share with the team what they perceive as "wins" in the past week. It can be goal-oriented, like "I achieved my sales target 3 weeks into the month", or something seemingly small, like "I actually got my filing done this week. It's been driving me crazy for months." Then, ask them to share a challenge they are facing, and allow the team to contribute how they can assist with that challenge. Maybe someone can lend an hour to assist with a project, perhaps someone else commits to meeting with that person to brainstorm ideas to deal with the challenge. This exercise allows the team to build a sense of camaraderie as they congratulate each other on wins they may not have been aware of, and help each other out where possible.
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- **Little-Known Facts** – ask each person to share something that they think their co-workers don't know about them. It can be anything from "I love eating squid." to "I spent 2 years in Russia." These little-known facts can be a great way of getting your team to start talking to each other, and for you to learn about your team. Inevitably those unknown details lead to further questions ("Why did you live in Russia?") that continue the relationship-building process.
 - **Bring Food** – every once in a while, bring in a treat to share and just let everyone chill out. A fancy cake, pizza, boxed chocolates – it doesn't have to be expensive, but people tend to relax and naturally get to know one another when they are sharing food.
 - **Strengths Session** – go around the table and have everyone share what they believe are the greatest strengths of the person to their left (or right). This is an incredible team-building exercise that builds into each employee's sense of belonging and value. Or, if you have time, write each person's name on a white board and go around the table, having everyone give their perception of that person's strengths. You can be guaranteed to have some happy, fulfilled employees leaving that meeting.
 - **Future Forecasting** – involve your staff in dreaming big dreams for your business. Give each person the opportunity to tell you what their dreams for the company are. Where do they see it going in 5 years? 10 years? How do they see themselves involved in that company growth? You'll find this an amazing exercise and may generate some additional dreams of your own. Plus, you'll get a real look at the people who work for you and perhaps see them in a different light. Maybe you never thought of Grant moving to a

different department, but when you hear his dreams and make the connection between them and his skill set, it moves you to actions you may not have taken.

These are just a few ideas to get you thinking about how you can use those precious hours when your staff gathers, to not only get the work done, but build a team that will be spectacular. Most everyone (especially Gen Y's) wants to know that what they are doing has meaning in a bigger picture. Believing that their gifts and talents fit into the big picture of your business, and being connected with those they work with creates a synergy unlike anything you've seen before. So take a chance. Instead of "all business" meetings, use your imagination and create a weekly event your staff can't wait to get to!

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The Mystery of the Disappearing Customers

According to the White House Office of Consumer Affairs, an unhappy customer remembers the incident for 23 years and talks about it for 18 months. Further, while a satisfied customer on average tells 3 people about his or her positive customer service experience, a dissatisfied customer tells 11 people, who each tell 5 more people, meaning 67 people will hear about the incident. Consider the following results of a survey from the US Small Business Administration and the US Chamber of Commerce. While these statistics were generated by US institutions, I believe they would apply to the customer service experience in Canada as well. In terms of why customers leave – 1% die, 3% move away, 13% develop other business relationships or begin doing business with the competition, 14% are dissatisfied with the product or service they received, and 68% leave because they are upset with how they were treated by the business.

Alternatively, companies who are perceived to have better customer service:

- charge 9% more
- grow twice as fast
- gain market share much faster
- average 12% greater return on investment

These are all good reasons to invest in making your customer service the best in town. The statistics show that 82% of 'lost' customers are not lost at all, but are driven away by bad customer service!

The 1-3% - Natural Attrition

If your customer dies or moves out of the region there is very little you can do about it! Let's just hope they left with fond memories of you, your staff and business.

The 13% - Sellout Attraction

Sometimes people just want to buy at the cheapest possible price and will put up with anything to get it. However these same people often become disillusioned when the company does not live up to its responsibilities. When that happens, you may have a chance to entice these

customers back. They are an interesting group - they are like the floating voter in an election. They do not necessarily have loyalty to any particular company and can be enticed by clever advertising or blow-out prices. These are the people most of your competitors are targeting with their 'don't pay for three years' or 'no down payment, no interest' advertising campaigns. These companies are not interested in building customer loyalty, they are only interested in the next sale. This sort of competition exists everywhere and relies on price and easy payments to attract customers. No loyalty is built, and as soon as the advertising specials stop, so do the customers.

The 14% - Genuine Dissatisfaction

There are cases when you and the customer cannot come to an agreement on a satisfactory settlement of a dispute. In these cases the customer is usually lost. Unless the cost of giving in is out of the question, the most cost effective method of dealing with a complaint (either justified or not), is often simply to give the customer what they want. In this case think of it as a marketing expense; the goodwill you will have engendered can be a valuable commodity. Someone once wrote that there are just two rules to customer service: 1) The customer is always right 2) Refer to rule number one.



If reducing conflict, stress and time wasted is important to you, then the small costs involved in giving in can be worthwhile. And, it will turn a certain portion of that 14% back into a happy customer.

I knew of a situation where a customer was so upset with the way he had been treated by a car dealership, that he had the car painted yellow (implying that it was a 'lemon') and had a huge placard that listed all the unresolved problems he had with the vehicle and the logo of the dealership where he had purchased the car. Consider how many people drove past that vehicle every day and had second thoughts about doing business with that dealership. If only one person per day decided it wasn't worth it, the company stood to lose 365 customers per year (plus anyone they may have told along the way). Whatever it took to satisfy that customer would have been highly cost effective!

The 68% - Bad Business

This leaves us with the 68% of customers lost through bad experiences. This sector of people has not only had the 14% experience of being dissatisfied with the product or service, they have also been treated in a way that has made them feel stupid, under-valued, or unimportant. Even if the service isn't bad from your perspective, if it doesn't live up to the customer's expectation, then they will join the 68%. Maya Angelou said, "People may not remember what you say, but they will always remember how you made them feel." If you can turn those customers around by changing the way they feel about dealing with your company – even if they don't get everything they want – you may be able to win them over.

Referencing the title of this article, the disappearing customers really aren't all that mysterious. Now that you know why they leave, put customer service strategies into place that will help you reduce that 68% and keep your customers talking about why they love dealing with you!

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5 Danger Signs for Home-Based Businesses

I recently did some business in Regina. While driving through the downtown area late at night trying to find my hotel, I came across a series of detours and road signs telling me I couldn't go the way I wanted to go. It was frustrating because I felt as if I was driving in circles, sometimes in the opposite direction of where I thought I needed to go. Eventually, I did arrive at my hotel, albeit a little later than planned, by following the signs. I could have chosen to ignore the warnings, and just taken what I felt was the most direct route, but I would have opened myself up to all kinds of things that would have impeded my progress even more than the detours. It's that way sometimes with our businesses. Here are some warning signs you may need to pay attention to. It may seem frustrating at first to avert your attention from doing what you want to do, in order to pay attention to things that may not seem important, but in the end, heeding the warnings will help you to get where you want to go safely and more efficiently.

1. Lack of Knowledge

A comprehensive analysis of your business is important for anyone, but it's especially important for those working from home, since some types of business lend themselves well to a home-based environment and some do not. Before starting any business, it is necessary that you conduct a thorough market examination and analysis. Staying in business requires ongoing research. Establish your communications strategy. Become known as an expert in your field. Commit to reading and research for several hours each week. Read publications from other industries and markets. Many sales and marketing ideas are transferable from industry to industry – don't restrict your market research to just your own market. The more you know, the better you'll be able to capitalize on opportunities.

2. Being Too Passive in Marketing

When you work for yourself it is tempting to spend too much time doing the things you like to do and that feel comfortable, and avoid things that you find more difficult. Even if you are not an outgoing person, you need to show an aggressive approach in getting the word out about your business. No customers means no business!

Passiveness in marketing will get you nowhere. Overcome passivity through peer-group support. Get out and become a part of the business community. Dozens of other entrepreneurs have been through the same thing as you. Network with them and you will find they can offer support. The more active you are the more successful your business will be.



3. Poor Time Management

One of the advantages of working at home is that you get to manage your own time. Effective time management is often a challenge for home based business owners, since there is no one to hold them accountable. Further, distractions are often just a few steps away! Your partner and/or children may demand attention, your neighbours can drop by, and someone's doing something interesting on TV or UTube! There are a million things that can distract you from being productive, but you must learn to manage your time effectively. Schedule each day the night before. If you are going to be working from home all day, set coffee breaks and a lunch break just as if you were working for someone else – and keep to them. When you're not on a break, you're working! Whether you work from home or not, being professional brings professional results.

4. Treating your home business less seriously than a “traditional” job.

You may not have a glamorous downtown office or need to wear those power suits to go to work, but a home-based business needs to be treated with the same professionalism that you used to put into your “traditional” job. I know a home-based insurance salesman who used to enjoy spending his day on the phone making sales calls in his pajamas or sweat pants. One day he attended a seminar and the presenter suggested that dressing professionally, even when at home, and standing when making a sales call on the telephone, would increase sales. My friend got up the next day and put on a suit before entering his home office. Every time he took a sales call he stood up for the length of the call. His attitude changed. His phone calls had more energy. He took less breaks and was more focused. More importantly sales over the next month increased by a large percentage, and he never went back to working in his pajamas!

5. Not following the 80/20 rule for customer sales

Eighty percent of your business comes from 20 percent of your client base. Remember, it costs twice as much to get new customers as it does to maintain your existing customer base. Keep your customers delighted and provide positively outrageous customer service. Repeat sales from existing customers means lower per-unit marketing costs and higher profits. Why spend all your time searching for new customers when you can also encourage your established customers to buy from you again and again?

Beware of these danger signs and create a stronger path to success for your home-based business.

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Portage la Prairie Manitoba R1N 1V1
Tel: 204-856-5000 Toll Free: 1-888-WHP-CFDC (947-2332)
Fax: 204-856-5006
info@whpcfcd.ca
www.whpcfcd.ca

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