



Anmiro Oy



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# Small business development

Trainers in entrepreneurship, nascent entrepreneurs and entrepreneurs are free to use this dia presentation.

Further inquiries: [anmiro@phpoint.fi](mailto:anmiro@phpoint.fi)

## Introduction to small business development

- After start up it takes often 2-3 years before you can get profit if ever
- Usually an entrepreneur has a tiny start up capital and access to loans are difficult or impossible
- It means that the entrepreneur has to operate with a smallest budget possible if he/she likes to develop/grow your business<sub>2</sub>



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## **Small business development content**

1. Introduction to small business development
2. Entrepreneurship, management and leadership
3. What is a typical small business
4. Characteristics of family firm
5. Tips for effective small business development

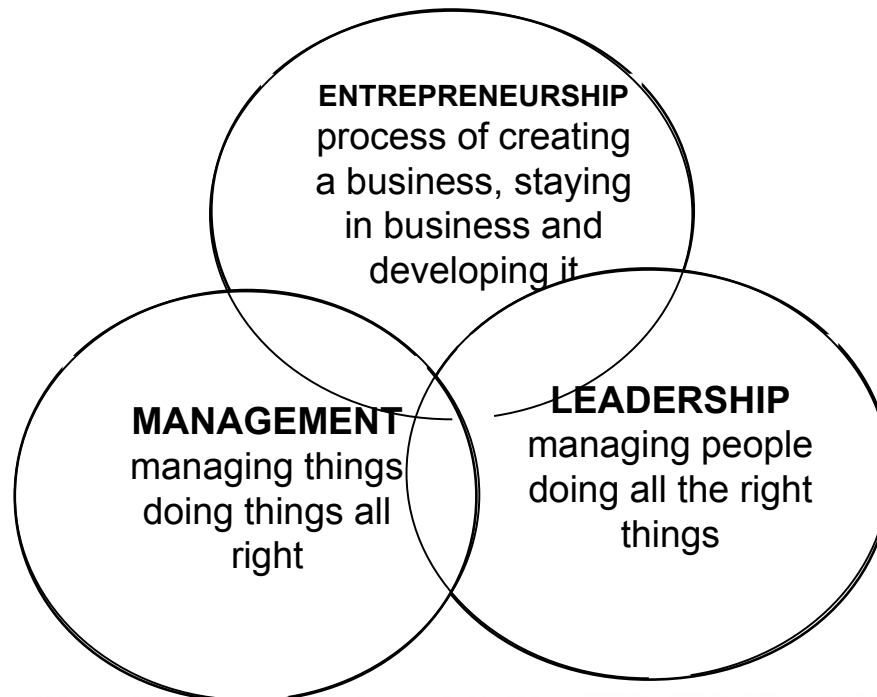
## Introduction to small business development 2

Entrepreneurship is the process of identifying, developing, and bringing a vision to life.

The vision may be an innovative idea, an opportunity, or simply a better way to do something. The end result of this process is the creation of a new venture, formed under conditions of risk and considerable uncertainty.

# Entrepreneurship, management and leadership

For small business development you need all these:



# Entrepreneurship, management and leadership

- Entrepreneurship: starting up a business but also being in business and growing and developing a business
- Management: process of setting and achieving the goals of the organization through the functions of management: planning, organizing, directing (or leading), and controlling
- Leadership is an interpersonal influence directed toward the achievement of a goal or goals



# The typical small business

- Narrow product range (2-5)
- Operations in a regional market.
- A few major competitors (3) and more minor competitors (20)
- Mildly differentiated product
- Follows its rival's price
- Suffers a moderate degree of excess capacity
- Started up by using only personal finance
- Encounters cash-flow difficulties and has to take on new debt after inception

# Legal forms of businesses

sole trader, partnership, company, co-operative and community business

There warnings must presented here:

1. The legal form of an enterprise does not guarantee business survival and/or development. However, on a certain phase of a business life cycle, a chosen legal form may bring tax benefit than another form.
2. There might be differences in legal forms within the EU-countries
- 3, **When it comes to small business development, the entrepreneur usually needs to change the legal form of the enterprise when it grows**



## What if your business is a family firm?

- mainly defined by the ownership structure, e.g. more than half of the voting shares are owned by one family
- institution of family enterprise is strongly embedded in particular socio-cultural settings, such as the Mediterranean zone, Latin America and China
- in these settings the issue of promoting citizens' interests resides mostly in their families. Consequently, the family constitutes the primary nucleus of social life, encompassing also economic activity

## Small business development with franchising

- Special mode of entrepreneurship and a growing phenomenon
- If your business idea is a splended one you may choose this option in order to manage small business development
- But it requires that you are fully familiar with franchising

## Small business development with franchising

You have to take into attention that:

- When individual buys a franchise, he/she will become self-employed
- Operating a franchise, however, is often completely and fully specified in the franchise agreement
- Little if any opportunity to be creative and entrepreneurial
- Franchisees are not autonomous such as an independent small businesses owned by an entrepreneur or entrepreneur's family
- You need a lawyer to fix the franchising agreement, train the people who will buy your franchise

# Other business classifications

- new and small firms are not homogeneous: differences depend e.g., on business idea, industrial vs service enterprise, share economy business, e-marketing businesses
- female entrepreneurs
- Not high flyers', but 'sinkers', 'trundlers' or 'economic laggards' craft, manufacture, service, technology, or agricultural firms
- **Firms in rural areas need perhaps even more planning and careful decision making before they start to develop their business**

# Other business classifications

- craft, manufacture, service, technology, or agricultural firms
- differences which may occur between businesses located in town and those which are located in rural areas
- rural area firms have the following problems:
  - **A sense of isolation, both from other entrepreneurs and from the larger business and political community**
  - **Lack of access to capital**
  - **Difficulties in accessing outside resources and support services**
  - **Need for more training and education programs tailored for them**
  - **Lack of customers or seasonal variations e.g., during the Winter less clients than summertime when holiday makers come**



# Decision making of male and female entrepreneurs

Male Entrepreneurs	Female Entrepreneurs
Decision making easy	Difficulty in making decisions
Business focused on economy and cost	Business focused on making social contribution and quality
Willing to take financial risk	More conservative when it comes to financial risk
Task oriented managers	Focus on good relationships with employees
Business manufacturing and construction	Business small retail and service orientation



# Decision making of male and female entrepreneurs

Source:

<https://www.omicsonline.org/open-access/compare-the-characteristics-of-male-and-female-entrepreneurs-as-explorative-study-2169-026X-1000203.php?aid=84862>

## What is needed for small business development?

Tips for effective small business development

- 1 Reconsider your business idea
- 2 Consider elements for business growth
- 3 Know your competition, not enough to know the names of your competitors. Evaluate what they offer so you can help differentiate yourself from the pack.
- 4 Add value and build trust, growth can come from adding value to every relationship, with prospective customers and existing customers.

## What is needed for small business development 2?

- 5 Keep an eye on Online Reviews: increasingly, consumers may turn to online reviews to decide whether or not to do business with a local company
- 6 Ask for the Business: After you've met with your prospect, submitted the proposal, done all the due diligence and followed up, consider closing that phase by unabashedly asking for the business. Try a simple: "I would very much like to provide this service for your company. It may give your prospective client the opportunity to decline

## What is needed for small business development 3?

6 Pay Attention to Your Website; does your website look like it has been designed a decade ago? In this visual world, design matters. It's fair to say that most of your customers may start with your website.

7 Take care of your current and repeat customers: More than 60 percent of small-business owners generate the majority (51 percent-plus) of their annual revenue from repeat customers rather than new customers. E.g., Send a note on special occasions such as birthdays or anniversaries.

## What is needed for small business development 4?

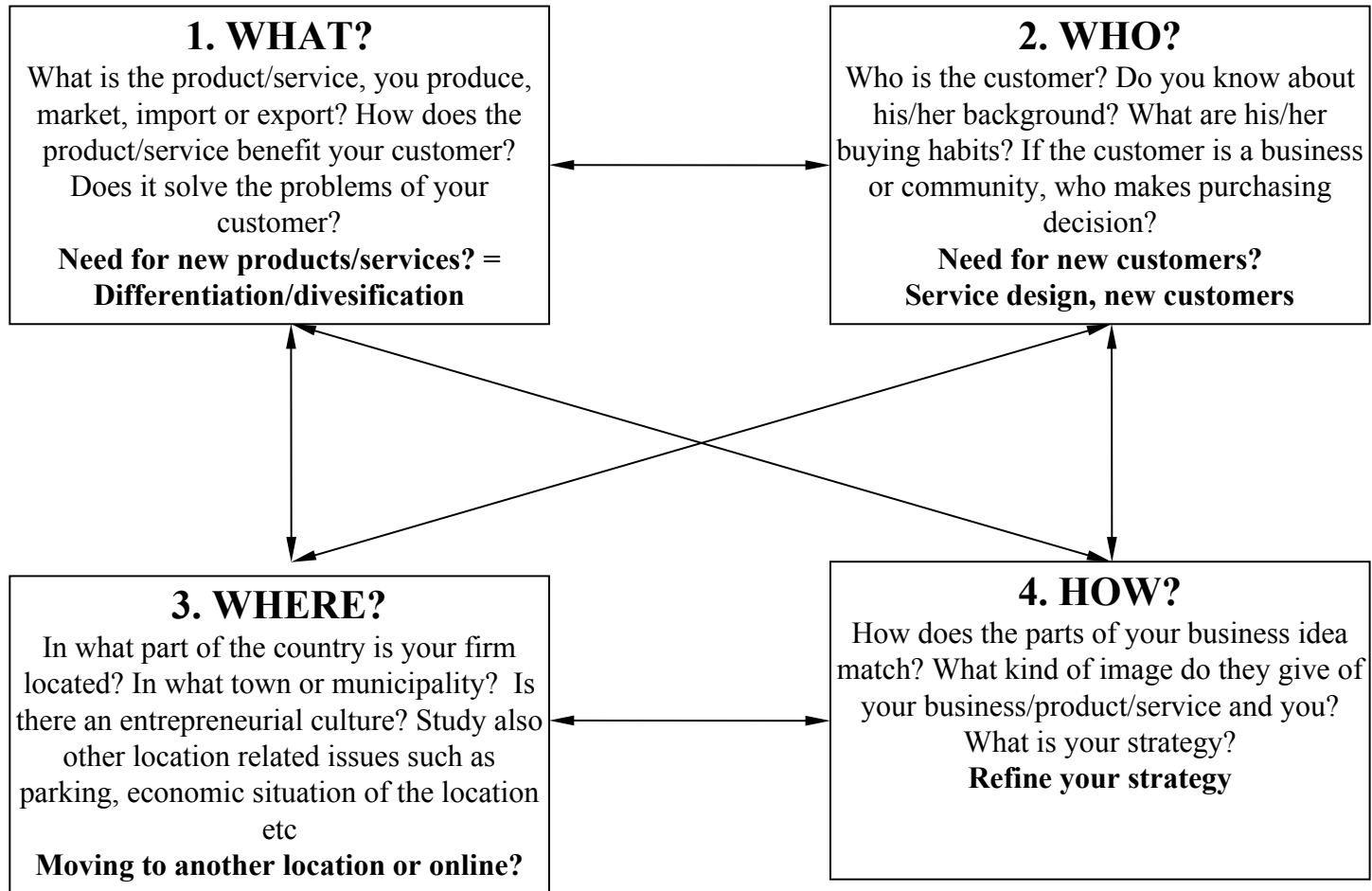
- 7 Connect with your clients on LinkedIn and keep in touch with them through the LinkedIn feature that allows you to "comment" or click "like" when they have a work anniversary or other change to their profile.
- 8 Respond immediately to your customer inquiry. Research reveals that 50 percent of buyers choose the vendor that's the first to respond to them. Inertia is not your ally

## What is needed for small business development 5?

9 Learn more about small business development, there are many business courses available in the net and also provided by your local business training institutes



# Reconsidering the business idea



## Elements for business growth

Define your growth objectives. ...

Do a growth diagnosis of your company. ...

Ensure your growth is sustainable. ...

Prepare a growth strategy. ...

Forecast your cash requirements. ...

Analyze receivables and payables. ...

Control costs. ...

Control debt.

# Problems facing new small firms

- 1) Inadequacy of the capital stock
- 2) A manager's perception of the financial needs was limited to the first year only
- 3) Labour problems
- 4) Managing market extension (markets were either expanding too quickly or too limited)
- 5) A permanent lack of cash and working capital