Small Business Planning From the Ground Up

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People interested in entrepreneurial pursuits or those who start businesses consider themselves to be action oriented. They want to create a product or service that fulfills a current or future need. This focus on action is what drives innovation and business success. However, sometimes focusing solely on action and not on short-term and long-term planning can limit a business’s net profit and growth or even put the business at financial risk.

Abraham Maslow, a historical figure in psychology who studied human behavior and basic needs, is known for introducing a hierarchal theory of needs. Just as individuals and families have a set of needs to be physically and financially well, so do businesses. This human behavior theory can be applied to the needs of businesses. The foundation of the hierarchy includes the basic needs or those necessary for survival, for which the other needs are built upon. The other needs are safety, social connectedness, esteem, and growth. How does this apply to your business?

Basics for Survival

The basic foundation of any business includes the people, the products or services and, of course, the sales. When these three components are in operation, a business is meeting its basic needs for survival. At this stage, businesses often spend a great deal of time focusing on securing the necessary resource inputs to create a good product or service that leads to sales. At this stage, a business should have a basic business plan, a brand, a basic accounting system, financial management process for securing funds, and an operations strategy.

Safety

To create a well-oiled business machine, companies begin to focus more on having quality people, reliable inputs to create the products or services, and a focus on supporting the current business strategy. Creating a safety net for a business happens when there is a focus on marketing, recruiting or maintaining top talent, keeping tight accounting records to determine the break-even point, and to monitor cash flow. Top talent will expect a set of benefits that can be tangible (i.e. insurance, leave, or retirement) or intangible (i.e. job satisfaction, social connectedness). Financial management is critical to the security of a business. Small businesses may get hung up by not keeping separate family and business accounts to accurately monitor cash flows. A simple solution is to create a separate business budget with a salary payout to the business owner. Focusing on reducing risks creates a safe business operation.
Social Connectedness

As a business grows and the employees have invested in the company there is an opportunity to build a workplace that supports social cohesion. Social cohesion is what makes a group want to remain together. So find what your company style is and be clear in communicating that to your employees. Are you a tightly run ship with no wavering in schedules or innovations, or are you more laid back and prefer to have group think meetings? All are fine, but building proper teams requires clear communication and support for the lifestyles of your employees. When employees are working well together, this speeds up the point of reaching or exceeding break-even status. Being socially connected to your clientele is also critical. At this stage of business marketing, there should be a target segment of the population that your products or services become recognizable to and desired over other products or services.

Esteem

When a business team is running efficiently and effectively, business can beget business. At this stage of company development, a given entity can become a known and respected business. A business usually has reached or is near reaching break-even status at this stage of development. The company can focus on what is working and address the issues of what is not working. The company should be focused on building confidence and financial success. Assessing the profit-margins and fine tuning will help a company get to the growth stage.

Growth

The last stage of business development is the height of success where the company is netting a profit and can plan for expansion and growth. This is the stage of business where planning is key and given that most entrepreneurs are doers rather than planners, this can be a risky stage. Planning for financial success may require bringing in technical expertise from government agencies, business advisors, financial planners and others. Plans should include: marketing, technology, human resources, financing, and forecasting the marketplace.

Small business development is critical to supporting the stability and resilience of communities. As a small business owner, you are doing your part to create better places to live, work and play. A little planning can help you and your community thrive.

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