

# Defining and Achieving Small Business Success





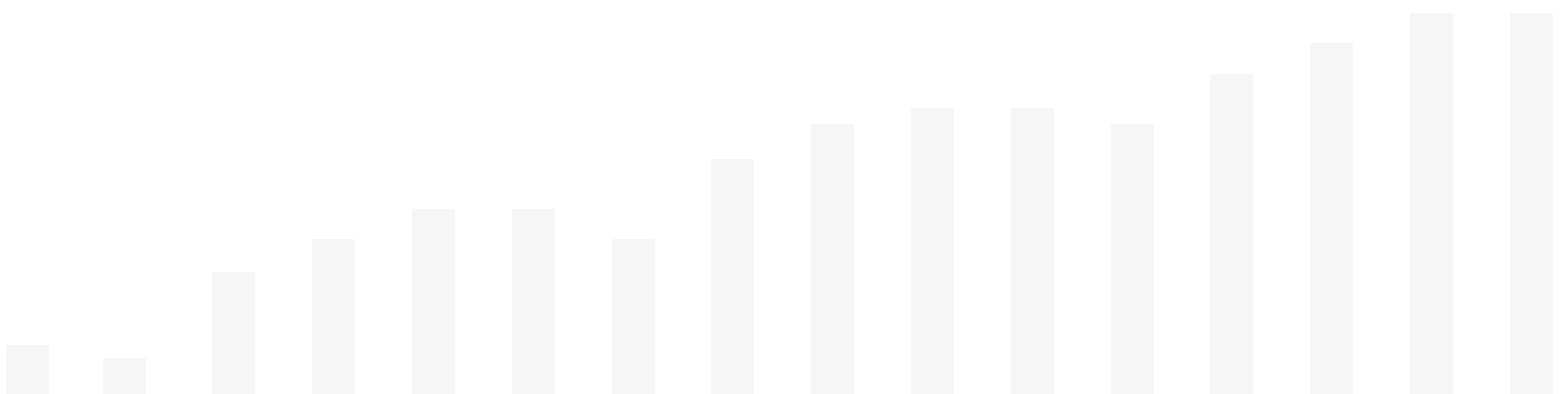
## STUDY OVERVIEW

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How do you define success? If you are a candidate, it's the number of votes. If you are a student, it's a passing grade. But for a small business owner, well, that's never clearly been defined.

To a small business owner, success could mean a double digit growth rate, opening a second location, taking a vacation or simply just making payroll. There is no one single answer. Or is there?

Infusionsoft, a sales and marketing automation software company committed to driving small business success, and Emergent Research, a global research and consulting firm focusing on small businesses, teamed up to find out.



# METHODOLOGY

Emergent Research built on findings from a prior Infusionsoft Survey of small business owners designed to identify five common stages of business growth. The Infusionsoft Stage Survey had 402 U.S. respondents from businesses with 2-25 employees. In addition to that survey, 26 in-depth interviews were conducted with new small business owners/executives who self-identified as running successful small businesses. Eighteen of these businesses are based in the U.S., three in Canada and five in the U.K. Six of these businesses are Infusionsoft customers.

The below report outlines how small businesses define success, the challenges they face in achieving success and how to overcome these obstacles.

This study uses Infusionsoft’s Stages of Small Business Success segmentation model. This is shown in the chart below.



# HOW SMALL BUSINESS OWNERS DEFINE SUCCESS

Money doesn't define success.

The common misconception is small business owners define success by financial rewards. This is not the case.

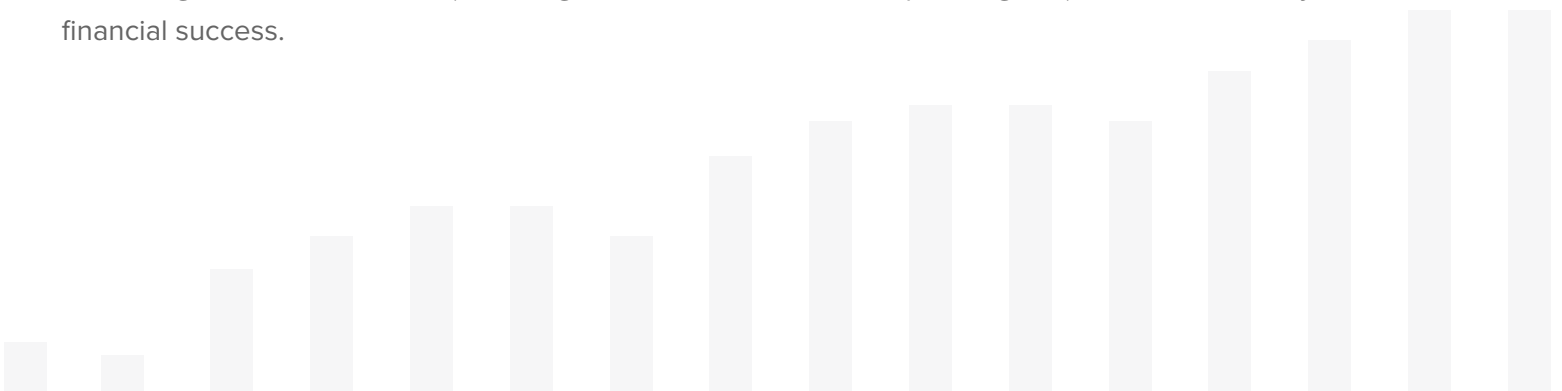
Small business owners clearly want to experience financial success, but most consider non-financial goals to be at least as important as financial goals – and often more important.

Those interviewed as part of this study put greater emphasis on non-financial measures of success. Their definitions of success included:

- The ability to do work they enjoy
- Being the boss
- Work flexibility
- Freedom and control
- Having a positive impact on their employees, customers and community.

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Small business owners still understand achieving non-financial goals usually requires financial success. Because of this, the vast majority (94%) of those surveyed have specific financial goals for their business and most (65%) are confident they will achieve them. Echoing this, all but one of the businesses interviewed have specific financial goals and all of them (including the firm that didn't have specific goals) are confident they will achieve financial success.



## It's More Than Growth for Growth's Sake

Growing a business is also part of most small business owners' definition of success. But this is not growth for growth's sake.

Most small business owners are neither inspired, nor driven, to build large empires.

They feel the time and effort required to build a big business would conflict with their personal definitions of success. Instead, they see growth as a means to reach the financial level needed to achieve their broader, non-financial goals.

This view of growth is again echoed in the study interviews. All report planning to grow their businesses and all but a few expect to become at least a Stage 4 business with \$1 million or more in annual sales. Yet only three of the 26 owners interviewed expressed a desire to build a large business with more than 50 employees.

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These findings are counter to the popular view most entrepreneurs and small business owners are primarily motivated by money and building big businesses. The findings are consistent with recent academic and industry research on this topic.<sup>1</sup>



<sup>1</sup> the academic paper [Wealth, Tastes, and Entrepreneurial Choice](#) provides a review of literature on this topic as well as empirical findings on the important role of non-monetary goals for most small business owners.

## Challenges to Small Business Success

Regardless of stage, small businesses share similar challenges. According to the Infusionsoft Stage Survey, the top 3 challenges are:

1. Time to get everything done
2. Finding and retaining qualified employees
3. Generating leads and turning them into customers

There was also consensus among those interviewed on the hurdles they faced and at what stages of growth they faced them. Moving from Stage 1 (Solopreneur stage) to Stage 2 (New Employer stage) was cited by almost all the owners interviewed as a major challenge. The reasons were simple: Shifting from Stage 1 to Stage 2 was the first time the owners had to find, hire, train and retain an employee. Finding the right person to enhance rather than distract from the entrepreneur's core strengths is a very real challenge.

These successful small business owners indicated finding and hiring the right first employee was a challenging and intimidating process, mostly due to concerns around the right "fit" and the right person.

The challenge became more unnerving as they shifted from worrying only about themselves to being responsible for managing an employee and meeting payroll on a regular basis. This experience scared them greatly.

The other stage the small businesses owners cited as being challenging was growing from Stage 3 (Steady Operation stage) to Stage 4 (7 Figure Business stage). This shift means the business has reach 10 or more employees, requiring the small business owner to hire and train supervisors, manage multiple teams and delegate authority. Stage 4 businesses also generally require new and more sophisticated processes and technology and often need new or adjusted business models.

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The complexities and challenges associated with becoming a Stage 4 business and the changes the owners are required to make means relatively few small businesses reach this stage. In fact, only about one out of five U.S. small businesses with employees have 10 or more employees.<sup>2</sup>

## Overcoming the Challenges

Two ways of overcoming business challenges and achieving success stood out: through technology and coaching.

Not surprisingly, the small business owners interviewed said technology is now a “must have” for clearing hurdles and achieving small business success.

### Why Technology Matters

The successful small business owners talked about three main ways technology helps their business. First, technology is enabling faster and more efficient ways for communicating with both employees and customers which improves productivity and customer satisfaction. But most importantly, many of those interviewed highlighted the time-savings factor for both themselves and their employees.

Technology also allows for a more dispersed workforce, greater employee mobility and flexible work. Almost all of the small business owners interviewed had migrated most of their technical infrastructure to the cloud. This allows “anytime, anywhere” access to business systems. It’s also enabled these businesses to offer greater work/life flexibility and remote work opportunities.

Not only does this give the business the ability to attract people who normally wouldn’t work for small companies; but it also gives them an option to tap less expensive talent pools in more remote areas. In several cases, technology has even freed the owners to relocate or live nomadically for personal reasons, yet continue to effectively run their businesses. The interviewed small businesses are reaping

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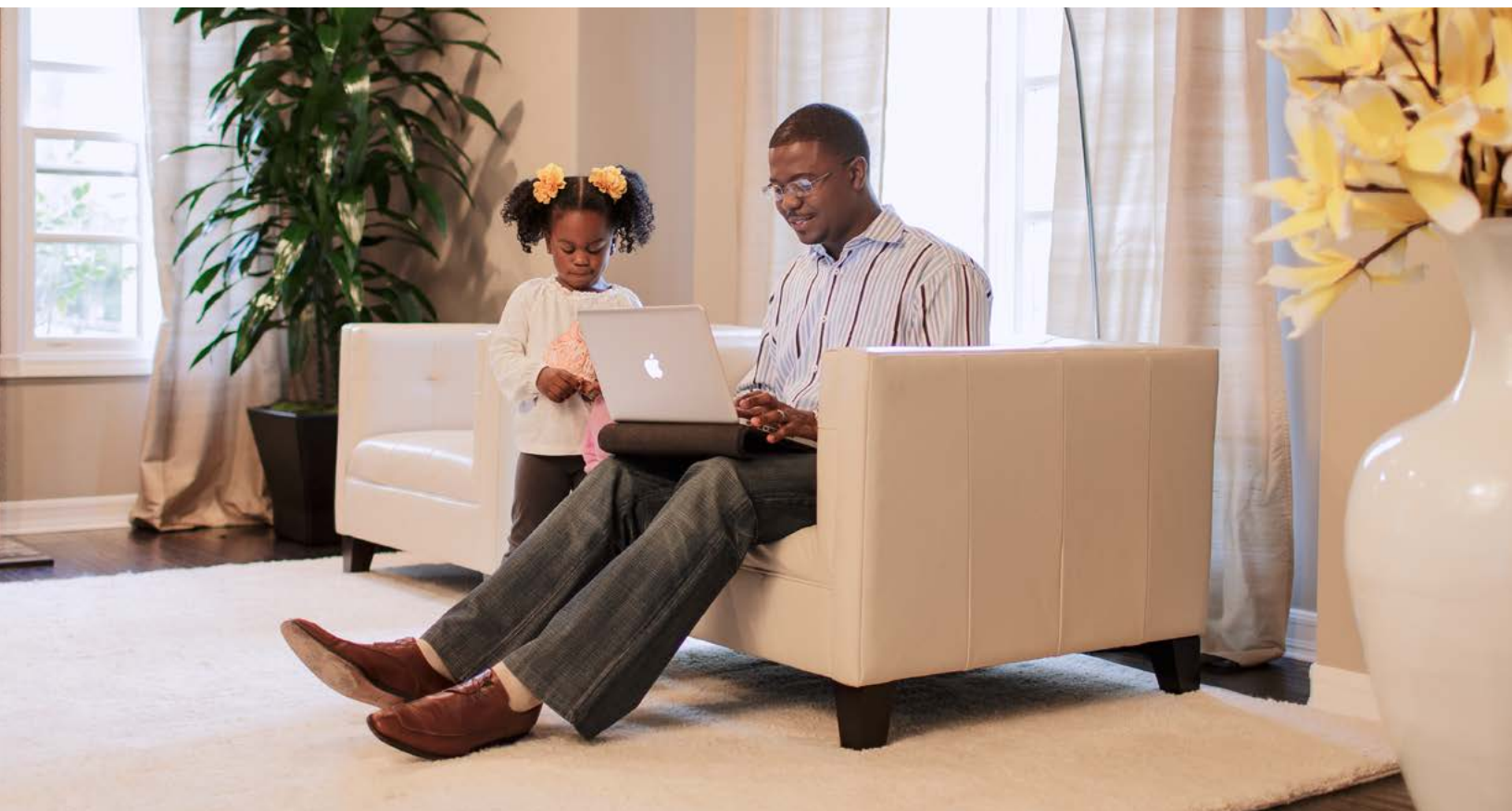
<sup>2</sup>**Firm Size Data**; U.S. Small Business Administration



the rewards of cloud adoption, but the majority of small businesses still have yet to make the transition to the “cloud.” A prior **report** conducted by Emergent Research and Intuit found that only 37% of small businesses use cloud technology. The good news according to this report is that by 2020, 78% of small businesses will have transitioned to the cloud.

The third area the small business owners listed where technology is a must have is automation and analytics. Automation allows small businesses to streamline processes, reduce overhead and improve customer responsiveness. It also leverages a firm’s human assets, especially the owner. Almost all the small business owners reported automation allows them to “do more with less”, hire fewer employees and save time. Most also reported they felt their automation efforts led to significant competitive advantage relative to their less automated competition.

Analytics were also cited by most as an advantage of using technology. Almost all of those interviewed said they had established key performance metrics for their companies and used analytical software to monitor and manage these metrics. The advantages to using analytics include greater insights into their business, better customer understanding and the ability to quickly recognize and adjust to business shifts.





## Coaching and Education

A second, and possibly the most surprising aspect of the study, is small business owners use paid coaches for overcoming challenges.

Almost all of those interviewed reported one or more of these knowledge-building resources in overcoming challenges. Interestingly, Infusionsoft's Stage Survey results show Stage 3 businesses are most likely to use these resources. This is likely due to the high hurdles of moving from Stage 3 to Stage 4 that were mentioned previously.

Several factors are driving the use of coaches and training. Business has gotten more complex and changes more rapidly. Businesses are turning to expert coaches and training that they're willing to pay for to provide guidance on working through complex problems quickly. There simply is no longer the time to "learn while doing" or the margin of error to "learn by making mistakes" as in the past.

The growing use and importance of technology is also leading to greater use of coaches and training. Keeping up with technological change is extremely hard for any business. Having the skills required to successfully deploy new technology is beyond the ability for most small businesses. Because of this, almost all the interviewed small business owners said they used paid technology coaches, consultants and training programs to help them.



## Masterminds, Mentoring and Metrics

Most of the successful small business owners we interviewed also said they used coaches and unpaid mentors to improve their management and leadership skills, help them set and achieve goals and work through difficult business problems and decisions.

They also mentioned they often turned to unpaid mentors and coaches for emotional support, especially when faced with difficult decisions.

Several of those interviewed specifically mentioned a coach or mentor helping them to get over their fear of hiring their first employee.

Interestingly enough, the larger firms surveyed also report using coaches and mentors to help their managers improve their skillsets and assist in decision-making. These firms have clearly seen the value of mentors and coaches and are expanding their use.

The interviewed small business owners warned that not all coaches or mentors were effective or worth their fees. But they felt the Internet made it easier to find qualified coaches who add value to their firms. They also said good coaching was extremely valuable and more than worth their investments in these areas.

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## CONCLUSIONS AND RECOMMENDATIONS FOR SMALL BUSINESS OWNERS

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Small business success is not easy. If anything, it is getting harder due to the business environment's growing complexity and rapid pace of change. Based on the interviews with successful small business owners and the broader Infusionsoft Stage Survey, we have four recommendations for small business owners. These are:

- Define success in your own terms and in ways that support your broader life goals. Don't let others define success for you, especially when it comes to growth objectives.
- Understand that, as your business moves through stages of growth, your key business challenges will likely change. Also recognize these new challenges will require changes in how you manage your business.
- Don't be afraid to get help. Successful small business owners look to coaches, mentors, education and training for themselves and their employees to help overcome challenges, learn new skills and deal with complexity. They see help as a way to improve themselves and their business's competitiveness.
- Technology is playing an increasingly important role in small business. Successful businesses are using technology to gain competitive advantage by: communicating more effectively with their employees, customers and prospects; saving time and improving efficiency by automating their processes; and improving business performance through the use of business analytics.