

Business Rescue

Case Study #1

Business:

An artisan creator of a line of home products. A small wholesale business, the entity was a corporation but functioned basically as a single member LLC.

Starting Situation:

I met with the owner, toured the studio, and heard some of the basic operational issues from the owner's perspective, then later met with the owner again off-site for a couple of hours.

She had started the business as a hobby and had taken it further than she had originally imagined already. She had studio space, employees, steady wholesale clients, was great at social media as well as creating interest. She was doing a majority of the running of the business herself.

Invoicing was being done by hand, and success measured in gross sales figures only. There was no way of taking inventory, the only policy of adding items to the line was artistic inspiration, merchandise was often gifted, the office was not computerized (no website, no ordering system, no barcodes, no SKUs, there was no url-specific email for the studio), and the physical flow of the studio was complicated. Prices were set in retail terms, even though sales were wholesale. The accounting system was done on quickbooks desktop, but personal and business lines were blurry and books weren't able to be presented to outsiders for potential loans or investors. The owner worked long days every day and had no time off. The list of issues went on and on.

The first two meetings, the owner conveyed her overwhelm. There were too many things to do in a day and not enough time. She thought for sure what she needed was an assistant (she had previously had one and it helped somewhat), not realizing a consultant was a possibility. She had done the most she could do and couldn't go any further.

The business operated at a deficit and if it didn't turn around fast, it would not only drain resources but need to be closed leaving debt behind. Her hobby business was running her life and could easily be the ruin of it.

Goals:

The business needed to grow beyond hobby stage, get profitable, and get out of debt. Ultimately the owner wanted to grow the business into a very large corporation, but the most immediate goal was to keep afloat, set a strong foundation, and then grow well into profitability.

My Basic Method:

I began by gathering information, writing an assessment of the situation, and outlining next steps as well as steps to take to move ahead to the goal. I then supervised implementing the steps, reassessing steps and goals every year, and adjusting as needed. Keeping my eyes on the goals and on reality, using experience, strength, education, intuition, and skills I coached the owner through the

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changes, helping to keep the goals in focus, and dealing with the personal changes that inevitably come up with such massive business growth.

Short story version:

In three years time the business income increased to 4x from when I first started and the business turned a profit for the first time. I implemented systems for continued growth and ultimate goal achievement, helped the owner find new skills to handle personal growth that accompanies business growth and coached through that, and achieved consultant's goals.

Long story version:

Year One:

My first priority was to create foundational systems. Creating a system for and building SKUs as well as an appropriate ordering system that could function for current needs and grow in the future. While the partial list of accomplishments below is clear, all these items were DEEP...meaning they took a long time to conceive of and implement because they were so foundational. Some of the specific accomplishments were:

- Create Website/online catalog
- Create SKUs and coding system
- Choose and onboard Ordering System
- Choose and onboard Interoffice communication systems/storage for documents
- Design and create accurate and functional office forms for every basic function
- Design and create accurate and functional policies and forms for every situation
- Hire and onboard employees
- Refine work definitions with independent contractors
- Create contracts and document relationships with people (customers, vendors, etc.)
- Choose and onboard new online accounting system
- Design and create physical filing system that more accurately reflected business needs
- Separate business finances from personal
- Create, document, and oversee policies and assistance with hiring/new contractors and business partners (shipping solutions, etc.) as well as firing those that no longer served
- Integrate HR compliance
- Design and physically reconfigure the space into something more functional
- Create and implement policies for special orders and custom items
- Conceive of and create clearer policies and implementation on payments and payment methods
- Create book with SKUs of items offered
- Encourage more time off, improved personal boundaries (and holding them), releasing some control
- Teach skills in to deal with personal implications of business change

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The strength of small business is that it can adjust quickly. It's adaptable and fast moving, but it pivots and adjusts based on feedback from customers and seeing what works. In other words, it requires a feedback system to flow. By the end of the first year there was actual information, both financial and based on tracking SKUs, that could be examined to see where to move ahead to. Patterns emerged and beyond what was believed to be true, we could see what actually were the strengths and weaknesses of the business.

For example, there was one particular item considered to be a best-seller, something that "everyone loved." This product took a lot of time and effort to make, had a lot of waste, and also needed an additional purchased product to complete it. After looking at actual sales of this item it was clear that it wasn't truly a best seller, just well liked. Knowing this we could reduce its prominence in the products offered, scale back production, and focus on more profitable and truly best selling pieces.

Additionally, I could begin to factor actual costs to produce. While this was not the sole factor in determining what products to continue to create, it became a guiding point.

Another example of using metrics to assist in profitability dealt with policies. Almost everyone wanted custom products made, but it ended up creating a seemingly never-ending process of re-designs and then ending up with large amounts of prototypes and overruns that were not saleable. Assessing the actual profitability of this as well as the drain on relationships and the people creating the pieces, it was clear this was not something to continue. While the owner still wanted to be available to create as needed, I worked with her to create a policy about custom products that didn't drain resources and allowed for profit as well as getting rid of all of the items created, not carrying excess.

Additionally I suggested that an annual clearance sale of items be implemented as well as an annual "seconds" sale. Both annual sale events would allow studio space - which was at a premium - to be freed up as well as bringing in needed revenue.

I created a foundation for an actual business, as well as more than doubling income. Goals achieved.

Year Two

The next year was about tightening the foundation, not growing business. This meant streamlining: dropping items from the line and limiting color choices. I implemented reduction of the amount of product that was given away, brought more order to the studio, and began to find a way to create more pieces with less effort and less dependence on outside contractors.

For example independent contractors created some of the items with employees finishing the work. These contractors also worked with other businesses. As work mounted from other businesses, and the contractors got busy, their work for my clients' business would get held up and her order fulfillment would be delayed. In other words, her business was dependent on others and this was not ideal. The purchase of certain equipment could help her control her business more completely, and also increase capacity of production as well as free up storage space.

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Additional accomplishments of this year included getting prepared for natural (and manmade) emergencies, and going further into compliance for human resources. Also, I found and hired a bookkeeper, found and hired a CPA, decreased the line of products, created barcodes for every item and created a barcode list, furthered ongoing financial separation of personal and business. I oversaw equipment purchases, persuaded the owner not to take on new loans or investors yet, and encouraged ways to take further time off and travel away from business..

Business income for Year Two held steady and grew a slight amount. Goals achieved.

Year Three

The next year included strengthening the foundation even further. In addition to maintaining the systems already established, I also implemented a system that documented and verified creation inventory, began tracking actual loss throughout the creation process (it was much lower than assumed), and moving deeper into human resource compliance. It also put the systems to the test ... bringing in a new person to do office work, hiring more people, and getting through an audit from the employment division office that required providing a massive amount of documentation of the past several years. Additionally I talked to potential investors on behalf of the business to ensure any potential partnership was a good fit.

Business income for the year grew to a total of 4 x the original income and basic systems held. Goals achieved.

Conclusion:

The human side of business is vital and works hand-in-hand with the system side. Every single massive business change comes with equal and simultaneous massive personal change. Directing and handling this personal growth is one of the hardest aspects of business growth. While implementation of correct and supporting systems for the business are specific, time-consuming, and essential, business growth is also a matter of trusting intuition, working to ensure the business is still heart-felt and fun, and that the owner's skills and mindset can carry on the change after the consulting is complete.

A good consultant must work her way out of a job, but also be able to take the owner and people working with her forward. The goals of a consultant are to:

1. Define the problem/opportunity
2. Develop plan to solve the problem or to exploit the opportunity
3. Monitor implementation and adjust the plan
4. End the assignment with the business and staff aligned with the new model

I fulfilled the goals of a good consultant. The business is now in a position where it's actually possible for ultimate goal achievement to occur.