

Expert Answers: Expert Tips For Best New Business Ideas



FOR THE LIFE OF YOUR BUSINESS

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Entrepreneurs are the consummate collectors. Only instead of baseball cards or bottle caps, they're constantly on the lookout for ideas that will help them improve the quality, efficiency, and profitability of their small businesses.

Because there are so many facets to running a successful small business, it's no surprise that good ideas are emerging all the time. Keeping track of them has been Michael Evans' specialty during a consulting career that has included serving world-class clients across a broad spectrum of industries. He shares some thoughts on some of the best new ideas for today's current and aspiring small business owners.



Q: Are there some long-held assumptions about small business success that are no longer true, or are as reliable as before?

It was long assumed that megastores would wipe "Mom and Pop" businesses off the map. Strikingly, that trend has started to reverse itself. The recession of 2008 provided the catalyst for laid-off workers to create home-based businesses using a low-cost website to create and sell products and services. The Internet also gives them greater access to manufacturers and raw materials. Also, an explosion of new capital since 2008 has made it easier to get a loan.

Q: You've noted that crowdfunding is gaining acceptance as a means for raising capital. Should small businesses consider utilizing it?

Crowdfunding is an exciting and potentially significant form of financing new businesses and product development, but it is too new and still subject to regulatory restrictions to be a significant source of capital for small company. Congress is currently considering bills that will loosen some of these restrictions. Eventually, crowdfunding (for example, Kickstarter.com) will emerge from a fad to an accepted method of funding ventures and product development, but only after other sources of capital tighten up.

Q: So what financing sources should a small business look to today?

Due to a confluence of trends (e.g. slow economic growth, political) financing and capital is more available than ever to promising private companies and small companies. SBA-backed lending has increased, bank capital requirements have been loosened to push cash into the economy, and interest rates will likely remain low through the 2014 elections. In addition, the role of alternative lenders (factoring, credit unions and micro-lenders) has expanded.

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Q: Should every small business be focused on growth, or are there advantages to remaining a “small giant”? What are some trade-offs to consider?

As I mentioned earlier, technological advances have created opportunities for smaller companies to effectively compete with larger companies, but businesses that embrace these technologies risk losing intimacy with their customers and a nuanced understanding of their needs. Automated email surveys of satisfaction with handling of calls to your service center, for example, are no substitute for human contact to understand how your company needs to better serve the customer.

Q: Are certain types of businesses or markets better suited to being “small giants?”

Any business may see its growth stall when its operating costs rise faster than revenue because you need more infrastructure like accounting and personnel to support it all. There’s a “no man’s land” between the size where an owner can handle everything, and where the business is large enough to take advantage of economies of scale. So if you’re planning an expansion or introducing a new product, make sure you are well capitalized.

Q: A new paradigm for success in today’s rapidly changing marketplace is the ability to adapt. What are some key attributes of a “nimble” company, and how can they be cultivated?

- **Management.** Build a high-capability management team that can take you to the next level. That team must be able to do what the founder was able to do alone—decide which customers to serve, develop new capabilities to power innovation, generate sales and operate more efficiently than competitors, and keep the company focused.
- **Model.** Build a profitable economic model at a higher scale while increasing the leverage that makes the company profitable. It’s also essential to create an infrastructure to support growth.
- **Money.** Get access to capital to fund the predicted level of growth, consistent with your company’s vision and risk appetite. Also understand the operating changes a new capital structure will entail.

Q: What technology tools are poised to have the biggest effect on small businesses?

Social media is the most obvious one, because of the way it can rapidly enhance general branding and company visibility, help you interact with your audience with a direct message or offer, and drive traffic to your Web site—as long as it’s worth driving traffic to!

But there are several others:

- Real-time, on-demand business video—especially on tablets
- Online customer relationship management (CRM) and customer care will allow savvy companies to “re-personalize” their customers’ experience.
- Networking groups like LinkedIn can help you push info to customers for free, rather than investing in other marketing channels.

Q: How about the “cloud”— is it a panacea for every small business technology need?

The “cloud”—delivering hardware and software services via a network—represents the most significant technology paradigm shift for private companies. It offers incredibly cheap storage, and can reduce a small business’s capital investment. We’re already seeing the benefits with tablets being used to take and fulfill orders, manage automated systems, and so forth.

Q: What new ideas can help small businesses make the most of mobile technology?

A lot of apps are really just low-value “junior websites” that might get used once a year. High-value apps are the ones people will use every day. For example, I use a Gibson guitar tuning app whenever I play. So look for potential apps that customers will want to use regularly. For example, an app that links them to coupons, sales, or help with services you offer.

Q: Recent headlines surrounding telecommuting rekindled the debate over where and how employees work best. What are some tips for achieving an optimal working environment that fosters productivity and efficiency?

A lot of this depends on the person and where he or she is most effective. But I do believe that Yahoo has started a trend back to the office, and companies such as Deloitte are making the office a better place to work. Collegial, face-to-face interaction helps foster creativity and collaboration. So the ideal office environment is one where people want to be—a place where they’re comfortable and can easily communicate. No one wants to go to an 8x10-foot box and just sit there all day, yet 90% of businesses seem to use that model.

Q: You’ve written that a small business can gain a competitive advantage by making risk management part of its growth strategy. What are some ways to do this?

- **Product quality.** Incorporate new product quality control procedures and promote those enhancements to customers. Alternatively, extend the return/warranty policy for the company's product. Both strategies will increase sales.
- **Employee safety.** No employee wants to work in an unsafe work environment, and no reasonable customer wants an employee to do so. Create a safer work environment for employees and promote that to new employee recruits and to customers. The result will be improved hiring and increased sales.
- **Capital and cash flow.** Always have a backup plan for unexpected cash flow needs or if the company's source of capital goes away. Consider making financing available to customers to fund purchases so that the company gets paid on delivery, thereby eliminating slow or “no pay” customers. Sales will increase.
- **Supply chain.** Loyalty to longtime suppliers is commendable, but risky. If the supplier has a strike, cash flow problems, or worse, company production and sales may be affected. Contract with more than one supplier and have a backup. Creating competition will cut supply costs, which might result in a reduction in company sales prices and thus, increase sales.

Q: One good business idea that’s not so new is working with a SCORE small business mentor. Why is this expertise particularly valuable for existing businesses, as well as start-ups?

Many CEOs don’t need a consultant who specializes in a particular aspect of the company’s business and produces a report as a work product. They need an all-around, in-depth advisor who can quickly become knowledgeable about the business and work by their side. In one survey, 80% of small company CEOs felt they could benefit from an advisor who understands the challenges they face such as timing capacity expansions, grooming talent and introduction, and creation of new products and services.

Q: What are your favorite sources of information and inspiration for entrepreneurs?

I follow what large companies are doing both from a product development and “small companies can adopt this technology” side as most of their innovations. For example, it used to be that only large companies could afford enterprise risk management software. Now, similar products are available to small companies.

I also like publications and sites that provide information on trends. And because I’m focused on corporate governance, I look to performative.net and the Open Compliance and Ethics Group’s site, oecg.org.

But I think the best inspiration comes from just talking with people. I often hear about new trends over lunch or at business gatherings. There’s a lot of great information online, but there’s also a lot of value in basic face-to-face communication.