

7 Simple Secrets to Business Success

Profinance arranges finance, loans and mortgages for business owners all over New Zealand. We want those business owners to have a good experience with the funds that they use. Therefore, we are always interested in what makes a good business go well. With over 20 years experience we've studied multiple businesses, read extensively and talked with some of New Zealand's best regarded business leaders. What follows is what we believe are the 7 secrets for business success.

1. Write it Down on Paper.

In 2008, a documentary called *The Boy From Island Bay* was released. The programme was about the entrepreneur Ron Brierley who was most famous during the 1980's. During the programme, the interviewer asks Ron, what do you think is the secret to your success. Brierley replies, "anything consigned to paper generally has a way of happening." What Brierley was referring to was the concept that he found after reading Napoleon Hill's book, *Think and Grow Rich*. Napoleon Hill had studied some of America's most successful business people including Rockefeller and Carnegie. Hill found that having a strong vision that is committed to paper greatly enhances your success. You can watch the *Boy from Island Bay* here: <https://www.nzonscreen.com/title/boy-from-island-bay-2008>

2. Get Diversified Customers and Supply lines.

Many small business owners get started by having one key supplier or customer. This gets them going but after a while this can become a problem as the key supplier or customer recognises your success and starts to change things against you and in their favour to get a piece of the action. If your business is dependent on them then you just have to suck it up. You should aim to have no more than 33% of your suppliers or customers from one source. If you can't do this, get some good advice on how you can manage the risks. For instance, a supply contract that has a rolling 2 years notification before it can be cancelled. This will give you time to respond and adapt.

If you want to double check this concept, stop and think about Banks and Supermarkets. One of the reasons these businesses dominate globally is they have diversified suppliers

and customers. This means the power sits with them, or they can shift issues such as poor margins away from them and onto their suppliers. For example – notice the poor term deposit rates bank customers have received in recent years!

3. Hang out with good people.

If you lie down with dogs you end up with fleas. So it goes that if you work with good people you can expect good outcomes. Don't confuse good people with commercial realities, ie don't expect good people to be soft on you. But what I mean is good people want to be remembered for being more than good in business. They want to be known as being trust worthy, having high integrity and having the courage to do the right thing. Find people like this to get advice from and do business with – you'll be much better off!

4. Validate your business idea.

Many business Startups and mature Corporates generate ideas. Startups because they want to get going and Corporates because their growth has matured, and they need to move to the next level. They throw themselves into their idea, and when it doesn't work, and they have blown all their capital, they are often too bewildered to understand where it went wrong. What they failed to realise is that every idea you have ever had is a bad one - until your customers prove otherwise.

Before you launch, work out what pain point you are solving? Then build a prototype to show to your customers. Survey your customers and ask them what they think? Would they buy it, what would they pay and how often would they buy it? There are some specialist business providers that specialise in the area of validation. A bit of money spent in the area of validation could be the best money you ever spend as it will (a) stop you spending more money on a born to fail idea or (b) if it's a good idea, working out how to correctly pitch it at the start will mean it will go extremely well once it hits the market.

5. Pick a good industry.

Warren Buffett said, take a good manager and put him in a bad industry, the industry will win. But, take a bad manager and put him in a good industry, the industry will still win.

Some industries are notoriously bad, drink capital and destroy the owner – these are often the ones that are easy to get started in. However, if you see an industry that’s hard to get started in, have a think about it as that maybe the one that’s worth pursuing. Take your time and work it out how to get through the initial barriers – while the initial going might be tough ultimately your progress might be quicker and to a much higher level.

6. Get a Good Vision Statement

We’ve all seen them, vision statements that make you and the staff cringe. They go something like this, “to be the biggest in our chosen field”, or “to have the highest return on equity when compared to our competitors.” The problem with this sort of thing, is its internally focused and it fails to recognise the most important thing – your customer and what your business does for them.

When you are properly facilitated through a Vision statement, the results can be outstanding and serve as a reference point for everyone to work to – a guiding star. For example; SpaceX – “... with the goal of enabling people to live on other planets.” Or what about ASB Bank for example; “Unbeatable Team, Unbeatable customer experience.” By the way, ASB’s profit has increased by 50% over the last 5 years.

It takes time, but if you want to develop a good vision statement, have a look at Simon Syneks video “Why” here;

https://www.ted.com/talks/simon_sinek_how_great_leaders_inspire_action

7. Focus.

And the biggest one of all. Focus. In the documentary Becoming Warren Buffett, at about 45 minutes Buffett recalls when Bill Gate’s father asked him and Bill Gates to write down the one word that best described what had helped them the most. Without collaborating they both wrote down the word FOCUS. If 2 of the best business minds in the world, independently come up with the same answer, maybe there’s something in it. You can settle in and watch the video here;

<https://www.youtube.com/watch?v=PB5krSvFAPY>