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Contract vs. Employee

Knowing the Difference Can Save Your Business Grief

Stanley runs a web design company with 2 employees. A large contract came his way from a customer referral and he found himself needing some additional help. He didn't want to commit to hiring a full time employee, so he put out some feelers and hired Anna to help out for 20 hours a week. He told her she was being hired on a contract basis, and that the position wasn't permanent, and she agreed. He paid her a straight hourly wage without deductions. After a month, Stanley realized the project was going to take longer than anticipated, and was finding it difficult to keep up with his regular workload in addition to the new work. He asked Anna if she could go to full time and stay on for another few months. Before he knew it, 6 months had passed. Stanley's business settled down to a more normal routine and he told Anna her help was no longer needed and ended her employment that day. Several weeks later, Stanley received a phone call from Anna stating that she believed he owed her severance because she had been an employee. Stanley argued that she had been hired on contract and therefore he wasn't required to pay severance, but she persisted. He did some research and to his dismay, realized that if she took her case to the CRA (Canada Revenue Agency) they would agree with her. Not only would Stanley have to pay her severance, but he would also be liable for the source deductions for the past six months on Anna's pay. For a small business, this could be very costly.

Many small business owners have misconceptions around what constitutes a contractor versus an employee, and not knowing the difference can get you into trouble. People often assume that as long as the position isn't permanent (at least in the business owner's mind), and the person isn't having deductions made on their pay, they are contractors. But the CRA requirements on this are very specific. Unless the person you hired meets all four requirements, they are considered an employee, regardless of how long you intend to have them work for you, and you must pay source deductions and provide severance just as you would for any other employee. Here's how the CRA defines and contractor.

1. Control

In a contract relationship, the contractor is in control of how services will be delivered. He/she determines (or negotiates) their own rate of pay, the place and manner in which the work will be done, the timelines under which the project will run, and what hours they will work. In our example, Stanley called all the shots. He gave Anna the work to do, told her how it was to be done, determined her work hours, extended the hire from part to full time and made all the decisions about her employment.

2. Ownership of tools

Generally, a contractor uses their own tools and supplies to deliver services. In this case, if Anna was a contractor, she would have had her own computer rather than using the one in Stanley's office. This applies to all industries – a contract plumber would work for you using their tools and supplies. In some cases, this can be negotiated. If an employer has a specific reason that his or her computer needs to be used, for example to protect business or client confidentiality, this could be clearly stated in the contract.

3. Chance of profit/risk of loss

The CRA defines a contractor by whether they are taking the business risk in the relationship. In other words, their efforts alone determine the making (or not making) of a profit. They risk incurring losses due to bad debts, damage to equipment or materials, or delays, and they cover operating costs. Anna was not running her own business and took on no risk. She simply collected a pay cheque.

4. Integration

The Canada Revenue Agency states, "Where the worker integrates the payer's activities to his own commercial activities, a business relationship probably exists. Where the worker integrates his activities to the commercial activities of the payer, an employer-employee relationship probably exists." In other words, if Anna worked for Stanley part time, but had other clients for whom she worked the remainder of the week, this would prove integration because the activities she did for him, benefitted her business. Because her employment benefitted Stanley's business, especially when he moved her to full time, she could not be considered a contractor.



Because there is an obvious financial benefit to employers not having to pay source deductions on a true contract employee, it may be tempting to try to disguise an employee as a contractor, but the cost of getting caught isn't worth it. There is a difference between hiring a contractor and

hiring an employee for a “contract position”. In other words, if you’ve hired Joe to work as an employee for a one-year term, and have clearly stipulated that in his employment contract, he is considered a “term” employee. Source deductions are made and all employment standards apply. His “term” can be renewed, or not, by the employer.

If you think you might be caught in confusion with regard to the contractor vs. employee status for some of your staff, get clarity from the CRA and ensure you create the proper agreements and procedures required. A detailed document to assist you in making this distinction can be downloaded at <http://www.cra-arc.gc.ca/E/pub/tg/rc4110/README.html>.

Does Your Business Have a Strategic Plan?

Many small business owners think strategic plans are for big business, not for them. Besides, who has the time or money to invest in strategic plans when the business is running well, and you're plenty busy taking care of that? And, you're following your business plan - isn't that good enough? Strategic planning should be a part of any business - big or small. In fact, it should be part of any organization - even a non-profit one. Your small business doesn't necessarily require something complicated or expensive. Strategic planning quite simply, is creating a strategy that your business is going to follow over a defined time period. The time period usually depends on how fast the industry is moving (1 to 5 years is normal, however some businesses have 10-20 year plans). A strategic plan is different than a business plan. A business plan is created when you are starting something new. Strategy looks to growth while business planning looks to beginnings. Without a strategy your business has no direction.

There are five basic components to a strategic plan and each phase builds on the work you have done in the previous one. At the end of this article, you'll find a sample chart that demonstrates how to put it all together.

Purpose (also referred to as vision or mission)

This is a brief statement about why the business exists. It does not need to be complicated, but it must sum up the essence of what you are trying to do as a business. A good example is Nike's Mission Statement, "To be the world's leading sports and fitness company." Usually, a business

has one primary purpose. It should be broad and encompass what you are currently doing, and what you may want to do in the future.

Goals or Objectives

Goals define how you plan to accomplish your purpose. Your goal commits all your strategies to that end. In this first step, brainstorm as many goals as you can. You won't be able to accomplish everything, so you'll have to choose which are most important. This doesn't mean you might not pursue some other goals later, just that you are choosing where your focus will be for the duration of the plan. One effective and widely used tool for priority setting is a SWOT analysis. SWOT stands for strengths, weaknesses, opportunities and threats. While identifying the factors in each of the five categories can be a time consuming project, it will prove extremely valuable in your planning efforts. It will help you to plan based on real information rather than conjecture or assumption. If this is your first strategic planning venture, a goal could be to conduct a SWOT analysis over the next year. There is a lot of information online on how to conduct a SWOT analysis. Once it's done, you can use it for future planning with minor adjustments along the way.

Strategies

A strategy tells you how you are going to reach each goal you have defined. This part of your plan may change as you discover strategies that work and don't work to achieve your goal. You will have many strategies for each goal.

Action steps (tasks or activities)

Action steps are the activities that you will use to implement the strategy. Action steps should be specific so that you can measure progress towards its achievement. They are usually stated in numbers, dollars, percentages, and have timelines attached to them, showing the date you plan to have taken those steps. Action steps also may include naming the people who have been assigned to each of the tasks.

Monitoring Implementation

This is often where strategic plans fail. Getting the plan down on paper is only the beginning. Ensuring that the steps defined have been taken is the key to a successful plan. Build monitoring systems into your work plan. Jot deadlines into your calendar and make sure you follow up to see they've been done. Strong monitoring will help you to verify that you are on track towards your goal, but also to make modifications if they seem needed.

Here's an example of one goal towards this sample company's vision, and the strategies, action steps and monitoring required to meet that goal. Of course, your business will have many goals, but this gives you a snapshot of how you could structure your plan.

Vision	Goal	Strategies	Action Steps	Monitoring
To provide the best veterinary service in <u>ABCTown</u> .	To create a high level of customer satisfaction with every visit.	5 minute maximum average wait time for appointments	<ul style="list-style-type: none"> • Ask customers about the reason for their visit and book adequate appointment time • If an emergency has thrown off the schedule, make efforts to reschedule some appointments or contact customers to advise them there will be a wait • Conduct 20 in-person, online or telephone customer surveys per month to assess satisfaction with wait times 	<ul style="list-style-type: none"> • Sylvia to review customer surveys the first week of each month • If off track, bring it up at following staff meeting
		Offer high quality pet foods at the best price possible	<ul style="list-style-type: none"> • Assign Debbie to research 4 pet food brands and suppliers to determine best quality/price options by April 1, 2010; • John to negotiate deal with suppliers by April 30, 2010 • Begin sales June 15, 2010 	<ul style="list-style-type: none"> • Sylvia to follow up with Debbie April 3 • John report to management team at June 3 team meeting

Again, there's lots of information on the internet with samples and formulas you could follow. The point is, having a strategic plan will set the course for your business, and help you identify where you want to go and what's required to get there.

7 Ways to Make Your Customers Feel Special

How many times have you spent your well-earned dollars on a product or service, only to feel like a number, or a commodity to the company once they've received payment? On the other hand, how well do you remember the companies that made you feel like they really valued you as a customer? It seems that the second scenario is becoming rarer, and those companies that do go the extra mile to make their customers feel important and valued, stand head and shoulders above the rest. Winning customer loyalty takes time and energy, which is why so many companies can't be bothered, but achieving it will give you a never-ending source of repeat business and referrals. Here are some ways you can wow your customers.

Pay attention - take note of all the little things that may not seem important to the business transaction that brought them through the door. Did Mr. Jones walk in with a limp and a cane today? Was Susan not her usual chatty self when she came in to pick up that part she ordered? When John came in, did you notice he had a new puppy in tow? Paying attention to the little details of everyday life and letting your customers know you noticed, will make them feel valued. Next time John comes in, ask him how the puppy training is going. Send Susan a note or an email and let her know she's a valued customer. Those little things make a big difference.

Really listen - use what Stephen Covey calls Level 4 Listening – listening empathically. Not just for the content, or for how you will respond, but listening between the words you hear. Do you hear fear, reluctance, or excitement? When you really listen you can learn what your customers truly need, and meeting their needs is another way you can make them feel important.

Put them first - remember that most customers are thinking WIIFM (what's in it for me?). In all your interactions with customers, think about whether you're giving them the answer to that question. Do they know you care about what's important to them? What's in it for them has to come before what's in it for you, or the customer service equation doesn't work. I recently heard someone say, "people don't care how much you know, until they know how much you care."

Put yourself in their shoes - that customer standing in front of you is angry about what they perceive is sub-standard service, and while it sounds outrageous to you, it's very real to them. When faced with complaints or confrontation with your customers, put yourself in their shoes. Try to remember the last time you were unsatisfied with something you paid for. How did it feel? Were you acknowledged or dismissed by the company? How would you like to have been treated? Stepping back from the situation and realizing every consumer is just like you, might help you to show a little more compassion and understanding in difficult situations.

Be honest and genuinely open to feedback - criticism or complaints from your customers are actually your greatest customer service opportunities. When you know what you've done wrong, you can take steps to make it right. Be honest when you have made a mistake, and genuinely seek to rectify it. Throw defensiveness out the window, and take your customers' feedback to heart. It may sting, but it will take you to a greater level of customer service. Implement the things you hear from your customers, and thank them for the opportunity to be better at what you do.

Deal with problems quickly - nothing is more irritating than having a problem with a business, and getting the run-around, or worse, getting no attention at all. When a problem comes to your attention, deal with it immediately. This assures your customers that they are important to you. When you make the time to deal with their issues right away, you show that you value them. When you put it off, allowing weeks to go by without a word, they get the message that you don't care if they go somewhere else!

Be creative in showing appreciation - taking a few moments each week to do something nice for your customers goes a long, long way to making them feel special and inspiring loyalty. You may need to add some money to your marketing budget, but the little you



spend on showing your appreciation will pay off huge dividends. The possibilities are only as limited as your imagination. Here are just a few ideas:

- Hold a customer appreciation event with free food
- Send flowers to a long-time customer who's experienced a loss or is going through a difficult time
- Charge up \$10 on a few Starbucks cards and have a draw for two customers a month – just because you appreciate them – or, have them on hand to show goodwill when someone has had a bad service experience
- Send a bottle of wine and a thank you note to a customer who made a large purchase
- Purchase two event tickets (sports or concert) and send them to a customer who gave a referral
- Have a weekly or monthly draw for a gift basket – customers can enter every time they make a purchase; to make this affordable, create a contra agreement with someone who produces gift baskets so it doesn't have to cost you a lot
- Send thank you cards for no other reason than to thank your customers for their loyalty

How is your business doing in making your customers feel important? These few simple steps can help you create a loyal customer base – and that's something solid to build a business on! One final note - while you, as the business owner may understand this concept, don't assume your staff does. Take the time to train them on this important aspect of your business, and you'll see a dramatic change in customer retention, and new business.

Could Your Business Benefit from Peer Mentoring?

Sometimes being a small business owner can be a lonely, isolated place; so many decisions, so many things to do, people to look after and goals to reach. Some weeks it's hard to just catch your breath! Having been there, I often felt that it would be nice to get together with other people who were facing the same kinds of challenges; people I could bounce things off of and who could help me sort things out when there was too much going on. People who really understood what it was like to be a small business owner, and were familiar with the stresses and challenges we face. Sometimes, it would have been nice to have others to share the victories with as well. If some of this is resonating with you, business peer mentoring could be a viable solution.

What is Peer Mentoring?

It's a group of like-minded business people who get together on a regular basis (often monthly) to present problems, set goals, brainstorm ideas and create strategies for their business activities. Individuals bring one specific challenge to each meeting, and get feedback and ideas from the

group on how to move forward on that issue. Goals are set, and the following meeting the group holds each other accountable for having done the things they committed to.

How could this benefit my business?

Peer mentoring is built on the premise that many heads are better than one. It is also built on the premise that even if people come from different industries or backgrounds, the issues small business owners face are pretty similar – things like technology, human resource (people) problems, sales and marketing, cash flow, and business growth. If you have an HR challenge, chances are someone else in that group of ten people has faced the same problem, and can give you some real world advice on what worked and what didn't. Sometimes you just need to get outside your own head to see things more clearly, and having another perspective is energizing, educational, and inspiring. You'll go back to your business with ideas you never would have come up with on your own, and apply them to create growth and change where you need it.

How does it work?

Most successful groups meet monthly, over breakfast or lunch for 90 minutes to 2 hours. The format is that each person brings forward a challenge, problem, or question that they pose to the group. Participants give their feedback and insights, and that person sets some goals or commitments for the following week. Someone in the group keeps track of what each person has committed to, and those are reviewed the following month. This creates accountability and motivation to get those things done! A professional facilitator is preferable to keep things from getting bogged down. The cost of participating is determined by whether you have to pay for a meeting space and facilitator, and the cost of food (bringing food in to a meeting room is preferable to meeting in a restaurant where there are a lot of distractions). These costs are divided between the number of people participating. A group of 7 to 10 is ideal. Less than 7 and the group falls flat if one or more can't make it to a meeting. More than 10 gets unruly and makes it difficult to stay within the timeframe.

How do I get started?

1. ***Invite people to participate*** - think about other business owners you admire. It doesn't matter whether their business is different than yours – do you like the way they run their business? Do they have integrity in the community? Are they successful? Meet them face to face to ask if they'd be interested in participating in a peer mentor group, or send a letter or email explaining the process and invite them to join. It's preferable not to have people who are direct competitors in the group, as this makes it difficult to be as honest and transparent as necessary.



2. **Look after Logistics** – once you've gotten commitment from enough people, determine when they would like to meet. Secure a meeting space that you can use every month. Make a deal with a local sandwich shop or restaurant who can deliver the meals to your meeting location. Send out a confirmation to participants once you've confirmed all the details.
3. **Find a facilitator** – look for someone who has experience facilitating meetings. This could be a professional facilitator, or it could be someone who's just really good at running meetings. Their job is to ensure that everyone gets a chance to speak every week, that the commitments made are reviewed, and that everyone goes away from the meeting with another task or step to take prior to the next meeting. The facilitator usually keeps notes of the meeting in case anyone needs to go back and reference something specific. They make sure no one dominates the discussions, and that everything the group wishes to accomplish happens within the allotted time. ***The facilitator should not be a group participant. They just guide the process.***

With very little effort you could establish a peer mentor group in your town. Think about how this could impact your growth as a business leader, and ultimately the growth of your business.

Re-defining Success

I'm currently reading a book titled "Success Intelligence" by Robert Holden, best selling author of "Happiness Now". The book has been unsettling, as it turns on its head traditional and cultural beliefs about success. Holden challenges the things we have been programmed to see as success, especially in business, and asks readers to look deeper; to align success with the knowledge of what's important to us (which he suggests, few people actually know), and to be willing to let go of what he calls the "hyperactive workplace" and pursue authentic success. It's difficult to change existing beliefs. My view of success is pretty traditional; I have often viewed successful people as those who've achieved wealth, or notoriety, or exceptional business growth, or fame. I've also viewed people as successful when they've done extraordinary things – conquered a mountain, written a best-seller, won a Nobel Prize, developed a cure for a disease, raised huge money for a good cause, and on it goes. But Holden suggests that none of those things necessarily define authentic success.

In the book, Holden asks these questions. Are you living a successful life? Do you have a vision? Do you enjoy your work? Are your relationships thriving? He believes that it's possible to enjoy real, soulful success while living in a manic, busy and hyped-up world. "Success is not about driving yourself harder;" says Holden, "it's about letting go of what blocks your heart." The trouble is, most of us don't have a clue what that is!

Holden challenges us to measure success using timeless values like love and courage, friendship and service, and truth and openness. "The real joy of success, is knowing that your success not

only benefits you, but also those around you.” says Holden. “Your success is your gift to the world.”

Right about now you’re probably saying “so what?” and wondering what any of this has to do with your business. Having been a small business owner, I understand the drive toward traditional success, but I also see how my energy in some cases was ill-spent on things that created outward success, but did little to create success in areas that really mattered to me. The challenge is to create success in all areas – business, relationships, life – that is truly aligned with your values.

Ask yourself the following questions:

- Do you love your work?
- Do you get up and approach each day with joy and enthusiasm?
- Are you getting home at the end of the day with sufficient energy to give a quality “you” to your family and friends?
- Do you have enough energy and passion to regularly volunteer in your community?
- Are there things in life, besides work, that you love to do and have time to do?
- Are you clear about what you want to accomplish not only in your business, but also in your life?
- Are your relationships satisfying and fulfilling?
- Does your work energize you?
- Are you able to give time and attention to the things that are important to you (do you know what’s really important to you)?

If you answered no to several of these questions, it may be time to evaluate whether you are spending your energy on things that create authentic success.

Recently, I was witness to the truth of what I’m reading in this book through the experience of a friend. I’ve known Janet for 15 years. We’ve worked together, were colleagues when we ran our own businesses, and have enjoyed a solid, dependable friendship over the years. Ever since I’ve known Janet, what she’s really wanted to do was paint. She’s a gifted artist, but she’s also an astute entrepreneur with many business skills. She went from one business venture to another, always busy and full of ideas, and on the surface, seemed very successful. She was extremely well-connected and known for her business acumen. People came to her from all over to seek her advice and counsel. She taught people how to run successful businesses, worked long hours, and gave her all to everything she did. Still, whenever we’d talk over coffee, she’d often refer longingly to her desire to find more time to paint.



A year ago, she accepted a large contract that ended up taking on a life of its own. It was high, never-ending stress and demanded even longer hours. After six months she hit the wall, and

burned out. She simply could not carry on and had to pass the work on to someone else. Physically and emotionally drained, she was unable to continue working. What she did do, was pick up her paintbrush. Those first few months Janet reassessed her life. She asked herself the questions I posed above, and she thought about what her hopes and dreams for her life were, compared to the activity she'd been doing. Long story short, Janet has become a full time artist, and I've never seen her happier. There is a spring in her step, and a light in her eyes that I haven't seen in a long time. She's not making nearly the money she did when she was a big-time business consultant, but she is creating authentic success in her work and her life, and it shows!

The point is this. Running a small business is hard work. It's demanding, and it can suck up every ounce of energy you have. But if it's happening at the expense of your relationships, your contribution to your community, or doing the things you love to do, you are not truly achieving success. If you are joyless in your work, if you dread the alarm clock going off in the morning, or if your work leaves you physically or mentally exhausted with little room for anything else, it may be time for a reassessment of your life. If your business is nothing but a drain on your heart and mind, maybe it's time to do something else. Or maybe it's time to reorganize your business so that you can achieve authentic success in all areas of your life.

Holden says it is possible to create a wise balance between speed and vision, busyness and heart, effort and inspiration, and adrenaline and grace. Do you have that balance? Maybe it's time for you to pick up a brush and start painting!

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