



THE WEB DESIGN BUSINESS KIT

BY PETER WILLIAMS
& BRENDON SINCLAIR
3RD EDITION



TURN YOUR TALENT FOR DESIGN INTO A PROFITABLE BUSINESS

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by Peter Williams and Brendon Sinclair

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About Peter Williams

Peter Williams originally qualified as a chartered accountant before moving into the web space in 1993. He founded Deloitte Australia's ebusiness consulting group in 1996, and became CEO of Eclipse, a web design business, in 2002. In his five years at Eclipse, Peter grew the business from 45 to 150 employees, making approximately \$20 million in revenue. He then launched Deloitte Digital, a subsidiary of Deloitte, which provides professional services online.

Peter is an adjunct professor at RMIT School of Management and a board member of Emue Technologies and Circus Oz. He is also the chairman of Deloitte Australia's Innovation Council, and a sought-after speaker and commentator on all things online, mobile, and social media. Pete brings a unique blend of experience in both business and web design.

About Brendon Sinclair

Brendon Sinclair is the founder and executive director of the Tailored Group Pty. Ltd., a company with business interests in web development, marketing, and retail. He commenced his business career 25 years ago with the founding of a courier company. Brendon's extensive experience ranges from marketing public companies, to owning and managing a number of successful businesses.

Brendon is a popular speaker, giving talks to business groups, university classes and more on marketing, leadership, and team building. He is a keen marathon runner, Ironman triathlete, and cyclist who, in 2008, cycled across Australia—4,500 kilometers (approximately 2,800 miles) in 30 days. In 2011, he plans to run the length of New Zealand—2,200 kilometers (around 1,370 miles) in just 44 days.

About the Expert Reviewer

Julian Carroll manages SitePoint's web design business, SitePoint Solutions, whose clients include Australia Post, VicRoads, and AXA Australia. He built his first website in 1997 and has been immersed in the Internet ever since. After two years as a freelance web developer, Julian worked for Sausage Software as a webmaster before joining SitePoint as one of the original employees more than 10 years ago.

Julian says, "Even a veteran web design business manager like me has gained a tremendous amount of insight from working with Peter Williams on this kit. We should all aspire to apply such common sense, work ethic, and foresight as Pete does to build multimillion dollar businesses."

About SitePoint

SitePoint specializes in publishing fun, practical, and easy-to-understand content for web professionals. Visit <http://www.sitepoint.com/> to access our blogs, books, newsletters, articles, and community forums.

*For all the people I have collaborated
with in the Web world, as well as my wife
Vicki and my kids Zach, Brittany, and
Hannah who have all taught me so
much.*

–Peter

*This kit is dedicated to my favorite
teacher, Mrs. Barbara Pearce. She taught
me how to write, and how to enjoy
learning. Thanks, Mrs. Pearce.*

–Brendon

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Preface

Web design is an exciting industry, and you're branching out on your own at an exciting time. Starting your own web design business is a great challenge that offers many rewards. Today's digital sector champions quality, reliability, and results; if you produce excellent work, you'll be highly regarded.

That said, there are plenty of players who struggle with what makes for success in the web industry. This is where this kit comes in—to help you get ahead of the curve, and stay there.

For more than a decade now, I've made starting and building web design businesses my focus. In these pages, I'll show you what I believe sets apart the world's best web design and development operations from the rest.

The Web Design Business Kit contains the foundation information you'll need to get a successful web business up and running from day one—the essentials that any entrepreneur must have. But it goes beyond these basics. In the coming chapters, I'll provide invaluable advice gleaned from my own experiences, as well as those of large and small web business owners I know and respect.

By including these insights, I aim to reveal how the kit's teachings apply in the real world. They'll also show you how to harness your personal and professional motivations, interests, and talents to create your own success in the medium and longer terms.

No two web businesses are alike. The web design business you create will differ from mine. By buying this kit, you've taken the first, integral step toward building a web design business that exceeds your dreams.

Peter Williams

Who Should Read This Kit

The Web Design Business Kit is ideal for anyone with a web design business, whether you're just starting out, or perhaps eager to grow your operation. While it was written with web developers, programmers, and designers in mind, those operating within a professional services industry should also find the material valuable and relevant for everyday use; in particular, it should have resonance for creative and development businesses.

By using *The Web Design Business Kit* as a springboard to your success, you also stand to save yourself much trial and error. Feedback from earlier editions attests to the solid business and marketing advice contained within its pages, helping people build successful, high-quality web businesses.

What's in This Kit

The Manual

The folder contains 25 chapters, in seven parts:

- First Steps in Business
- Establishing Your Business
- Selling Your Services
- Running Your Business
- Growing Your Business
- Building Your Team
- Case Studies

The first part, *First Steps in Business*, guides you through what you need to consider as you embark on your business adventure. We'll investigate the reasons why you might want to go out on your own, and consider what the best option will be for you: freelancing, or running your own business. We'll do some business planning, research the market and your competition, and explore the strategy of creating business success through your clients. Then, we'll take the plunge, addressing what has to be done to get your business started and win your all-important first client.

In part two, *Establishing Your Business*, we'll confront the realities of running your own business. We'll talk about the importance of developing processes and relationships with experts who can help you build and shape your business for success.

Selling Your Services, part three, provides a comprehensive overview of the techniques and philosophies we use to market our web design and development services. It will also give you the information you need to develop your business's unique advantage, as well as hone your sales skills. Then, we'll look at the challenge of providing excellent client service, and discuss how you can develop an approach that allows your client service to stand above that of your competitors.

In part four, *Running Your Business* is the focus. Here, we'll talk tools, review popular project management philosophies, and provide tips for keeping both clients and projects "on the rails."

Growing Your Business is a challenge for many small business owners, and the subject of part five. Among the topics we'll cover in these chapters is how you can plan for, and manage, expansion. We'll consider the ways in which your business can expand, and look at the techniques you can use to minimize risk and future-proof your operation. We'll also look at popular web development business models, and explore the prerequisites your business needs if it's to achieve growth that actually adds to your bottom line.

Part six, Building Your Team, addresses the day-to-day issues of hiring and firing staff, employee ethics, and performance management. We'll also look at the importance of succession planning, and see how it can play into your staff's motivation and commitment. Finally, we'll consider the issues surrounding outsourcing and offshoring: the pros and cons, as well as the considerations required to undertake each in a way that serves your business well.

The final part of the kit, Case Studies, pulls together everything else we've talked about and plants it in the real world. Successful business owners explain what makes their web design and development firms tick. Each case study focuses on a different aspect of business, to give you a few ideas about your own operation—not to mention a healthy dose of inspiration!

While the kit comprises a linear progression, each section is complete in itself. We've developed each part of the folder so that it can be used independently of the others. So, if you've already started and established your own business, you can skip straight to the section on expanding your business if you wish. Of course, you can read the folder from start to finish, but the kit has been designed so that you can access the different parts of the information as required at different points within your business's life cycle.

As you read, you'll also notice references like this: “See the **Breakeven Analysis** file in this kit's documentation.” These notes refer to the information contained on the CD that accompanies this kit.

CD

The CD contains samples of, and templates for, the documentation we use in our business every day. These documents are divided into the categories listed above, but you can also use the **index.html** file on the CD to locate specific documents by filename. This content is divided into seven areas:

Business Planning and Financial Documents

Business Plan Template

Plan the first year of your business's operation with this proforma.

Strategic Marketing Plan Template

Covers what's needed when forming your marketing campaigns.

Balance Sheet

Input your business financials into this spreadsheet to balance your assets against your liabilities.

Break-even Analysis

Help establish whether your business is breaking even with this spreadsheet.

Cash Flow Forecast

Determine your business's cash flow with this spreadsheet.

Profit and Loss

Project expenses and revenues in this profit and loss template to see whether your business is running at a profit.

Media Tools

Media Kit

Outlines the kind of information you might include about your business for interested media representatives.

Media Release

Gain a few ideas for writing your own attention-grabbing media releases with this sample.

Client Contact Documents

Making Contact

Ensure clear communication using these sample emails to assist you with client contact for every step of the project.

The Pitch

Make a successful pitch with the assistance of these five documents, from the initial proposal to the quote for services.

The Web Development Process

Cover the practical side of your project with these documents to ensure good communication with the various parties you'll be dealing with.

Job Approval and Invoicing

Obtain payment for your services with these five documents, which include an invoice, a payment-overdue letter, and a client follow-up letter.

Employment Documents

Employee Interview Questionnaire

Ascertain whether employment candidates will thrive in your business with this ready-to-use questionnaire.

Confirmation of Employment Letter

Formalize your new recruit's employment agreement with this comprehensive sample letter of confirmation.

Employee Confidentiality Agreement

Protect your intellectual property and ensure your team members know where they stand. With this concise confidentiality agreement, you'll have all bases covered.

Legal Documents

Sample Web Design Services Agreement

Use this sample web design contract to cover the work that you'll do for your clients, including how you'll get paid and transfer of intellectual property, which you can use as a basis for drawing up your own agreements (in conjunction with a lawyer).

Sample Site Maintenance Agreement

Cover ongoing maintenance work for a website with this sample contract.

Sample Marketing Agreement

Document ongoing marketing work for a website with this sample contract.

Sample Non-disclosure Agreement

Have employees and contractors sign a confidentiality agreement using the sample provided here.

Sample Hosting Agreement

Cover ongoing hosting for a website with a document based upon this sample contract.

This Kit's Website

Located at <http://www.sitepoint.com/books/wdbk3/>, the website supporting this kit will give you access to the following facilities.

Updates and Errata

No book is error-free, and attentive readers will no doubt spot at least one or two mistakes in this one. The Corrections and Typos page on the book's website will provide the latest information about known typographical and code errors, and will offer necessary updates for new releases of browsers and related standards.¹

The SitePoint Forums

If you'd like to communicate with other web business professionals about this book, you should join SitePoint's online community.² The forums offer an abundance of information above and beyond the solutions in this book, and a lot of interesting and experienced web professionals hang out there. It's a good way to learn new tricks, have questions answered in a hurry, and just have a good time.

The SitePoint Newsletters

In addition to books and kits like this, SitePoint publishes free email newsletters: *The SitePoint Tribune*, *The SitePoint Tech Times*, *The SitePoint Design View*, and *The SitePoint Community Crier*. Reading them will keep you up to date on the latest news, product releases, trends, tips, and techniques for all aspects of web development. Sign up to one or more SitePoint newsletters at <http://www.sitepoint.com/newsletter/>.

The SitePoint Podcast

Join the SitePoint Podcast team for news, interviews, opinions, and fresh thinking for web developers and designers. They discuss the latest web industry topics, present guest speakers, and interview some of the best minds in the industry. You can catch up on all the podcasts at <http://www.sitepoint.com/podcast/>, or subscribe via iTunes.

¹ <http://www.sitepoint.com/books/wdbk3/errata.php>

² <http://www.sitepoint.com/forums/>

Your Feedback

If you have questions about any of the information presented in this kit, your best chance of a quick response is to post your query in the SitePoint Forums. If you have any feedback, questions, or wish to alert us to mistakes, write to our well-staffed email support system at books@sitepoint.com. Suggestions for improvement, as well as notices of any mistakes you may find, are especially welcome.

Acknowledgments

Peter Williams

I'd like to thank everyone in the team who helped create this product. Lisa Lang's guidance and organization was invaluable, as was that of Beata Lanica, who made sure I never missed a writing session! Thanks also to Julian Carroll and Georgina Laidlaw for their input and help in honing the book.

Brendon Sinclair

A big thanks to the people who have helped along the way in making this kit the success it has been. Thanks to Mel, my wife, for being my proofreader and sounding-board as I went along—you're a treasure.

Conventions Used in This Kit

You'll notice that we've used certain layout styles throughout this kit to signify different types of information. Look out for the following items.



Hey, You!

Tips will give you helpful little pointers.



Ahem, Excuse Me ...

Notes are useful asides that are related—but not critical—to the topic at hand. Think of them as extra tidbits of information.



Make Sure you Always ...

... pay attention to these important points.



Watch Out!

Warnings will highlight any gotchas that are likely to trip you up along the way.

Getting Started

We hope you enjoy using this kit! While every effort has been made to ensure the accuracy of the information and documents herein, neither the authors, nor SitePoint Pty. Ltd. will be held liable for any damages caused by the instructions or documents contained in *The Web Design Business Kit*.

What we're saying here is that it's up to you to decide what information and resources suit your business, and to seek professional advice if you're unsure about any of the topics covered in *The Web Design Business Kit*.

That's the legals out of the way. Let's get started!

Chapter 1

Going Out On Your Own

So, you're thinking of leaving your day job and going out on your own. Congratulations. This is a big step, and not without its perils. In reading this kit, you've already made a good decision. It's designed specifically for you, as a budding small web design business owner.

The kit is divided into seven sections. This first section addresses the broader questions you'll face as you consider embarking on the life of a freelancer or small business owner. Later sections will drill down into more detailed topics—from project management methodologies to pricing your time. But let's not put the cart before the horse. Before we tackle those nitty-gritty details, we need to put solid foundations in place.

Our first task is to look at your motivations for going it alone. Why do you want to run your own web design business? People fail to achieve their goals for many reasons, but the most common explanation is that we simply don't try. Why not? Trying naturally involves the risk of failure. A lot of people believe it's safer never to try; that way, they'll never fail. Throughout the course of this kit, you'll often be prompted into action, to *try*. After all, you'll need to have a shot, to take risks, if you're ever to run your own business.

In this kit, we'll show you how to start, build, and expand your own small web business. We'll meet some interesting characters by way of anecdote and, at times, deal with less-than-glamorous topics—unless you find break-even analyses glamorous!

Now, you can simply read this information, absorb it, and mull over it, or you can take action—immediate action—while it's still fresh and inspiring. Many people *will* simply

2 The Web Design Business Kit

read it and then put it on their bookshelf. But others, like the steady stream of people who have emailed SitePoint over the years to offer thanks for the earlier editions of this kit, will implement what they've learned and reap the rewards.

Don't feel you have to read the kit cover to cover. Instead, you might prefer to use it as a reference guide, dipping into it as new challenges pop up. However you approach it, we advise that you use this kit as a resource when things go wrong; whenever you face a problem in your business, make your first step to reach for this kit!

The key point is that success hinges on the *implementation of business strategies*. So don't just read this kit, put it away, and gradually forget about it. Write notes to yourself as you go through the chapters. Detail how you can apply the lessons you've learned to what you do. Most of all, put the ideas into practice—action will lead to success. There's no time like the present to start your own business, and this kit will be there to help you each step of the way.

Would you like to be one of the special few of the population who achieve their life goals? *Carpe diem!* Let's get started.

Why be your own boss, anyway?

Why are you starting out on your own? Really think about this; your answer is important.

Why do we even work? All we really need is a couple of meals a day and some shelter, and we'll be fine. Why, then, do many of us put in the long, hard hours trying to build a business? Is it to have a bigger house, a better car, and more jewelry than the Joneses? If you answered "Yes," then that's fine. Is it to save for the future so that you can enjoy a nice lifestyle one day? That's fine, too. Perhaps it's because you simply enjoy what you do, and putting in a good day's work nourishes your soul. If that's your reason, that's great.

It's essential that you identify why you want to go out on your own before you begin. Your answers to these questions will help you to identify the kind of operation you want to run—whether it's freelance or small business. This is the first of many important decisions you'll need to make. Let's look at it in detail.

Freelancer or business owner?

Many software developers, web designers, and graphic designers reach a point in their careers where they want to go out on their own. And the first question they need to ask themselves is, “Do I want to be a freelancer, or do I actually want to start a business?” Those two choices are very, very different.

A lot of people who choose to freelance are working in an organization that lacks creative opportunities. Alternatively, they might be working in a web development company, but are experiencing burnout working on projects that they’re not passionate about. Freelancing is a lifestyle decision. It gives you the ability to say, “There are certain things I want to do—travel, or develop my own product—but I still need an income to live my life.”

Becoming a freelancer is an easy decision to make, but there are a few central factors you’ll need to understand. As a freelancer, there’s no job security. You’re not necessarily going to receive a pay packet every month. It’s entirely up to you to go out, win work, and bill clients.

Freelancing can be quite a lucrative career choice, because you can often charge a much higher hourly rate than you’d earn as an employee in an organization. By the same token, it comes with responsibilities. You’ll have to bill your customers, chase up the money, and sometimes go for a period of time where you’re without work. You’ll need to work hard to build your networks to ensure a flow of work. In short, being a freelancer is a good lifestyle choice offering lots of flexibility, but little security.

Starting a web design business is a very different proposition, and to do it well, you’ll have to think differently from the freelancer. You should start out with an idea of the size or type of business you want to run, how much income you’ll aim for, how many people you’d like to employ, and so on. You’ll also want to consider that there’s a lot more responsibility involved—from a regulatory viewpoint, and to your clients and your staff.

So, while the question of being your own boss as a freelancer is quite easy to answer, making the move into a web design business is a much bigger decision.



Business Ownership Takes More Than Just IT Skills

The fact that you've worked in a web business or in technology does *not* necessarily mean that you'll be a good business person. Good business people are disciplined and focused, spend as much time working *on* their business as *in* it, and have clear direction.

You may feel you possess all these traits, but only the experience of running a business will prove whether you're a business person or not. Of course, in the process, you'll have an immense opportunity to learn. You can't be expected to know it all now, but as you embark on running your own business, you'll realize just how much there is to understand. It may seem daunting, but accept now that if you've never run your own business before, you'll have a lot to learn. This way, as each learning opportunity comes along, you'll see it as such, rather than feeling out of your depth, or doubting your capabilities.

In making the decision to run a business, you'll need to be aware of the personal responsibility you'll be taking on—in addition to your professional obligations. You'll probably find it hard to take holidays, since you're the one in charge and, particularly in the early years, the new business can completely consume your life. That's all fine—as long as you know what you're getting into.

You'll need to consider the tools and systems you'll put in place to manage and run your business—things like clients, systems, processes, marketing and sales, and staffing. Thinking about these issues can be quite complex and daunting.

You also need to define your vision. Ask yourself, “Where do I want to go, and how do I want to get there?” Understand that being in business is a journey that tends to evolve over a period of time, and requires a lot of hard work and learning. Those early years represent a massive learning curve—particularly if you've never run a business before, or you don't have a business background. When you look back over the first year and see where you've come from, you'll think, “I knew nothing when I started, and I've learned so much!”

What business are you really in?

Once you decide you want to run your own business, you should ask yourself, “What business am I really in?”

Are you the best web designer around? The best graphic artist? Maybe you're the best copywriter? That's great, but the fact that you're a wonderfully skilled designer or programmer will not, by itself, determine your ability to achieve success. It's your clients'

perceptions of those abilities that dictates whether you sink or swim in business—and even then, they’re just one part of the success equation.

The best designer Brendon met in ten years of web development went out of business because he was unable to generate enough profit to keep the business afloat. He later told Brendon that he’d analyzed his profit for the previous two years and found that he’d been working for less than \$5.00 an hour. Brendon subsequently picked up one of the designer’s former clients, who then said, “I can’t believe how cheap he was, and how slow he was in asking for payment.”

Regardless of your speciality, don’t lose sight of the fact that business management, marketing, sales, and customer service will inevitably form a core part of your business.

Web design consultancies are professional service businesses that help clients achieve certain business objectives, but you also need to consider which segment of the market you’ll work in. Web businesses can provide end-to-end solutions, where you’ll do everything from design to development, deployment, hosting, search engine optimization, and the daily running and maintenance of websites. Or, you may just choose to play in a niche. That could be usability and design, technical development, testing, hosting, or any other specialization. It all depends on your capabilities and what you’re passionate about. In this kit, we’ll address web design and development businesses specifically, though the lessons you’ll learn can be applied equally well to just about any sort of web-based service or consultancy business.

Whichever segment you choose, there’s always the temptation to stretch yourself too far too quickly. It’s important to remind yourself that you’re in the business of helping clients achieve objectives. What you bring to the table is a certain capability to deliver an outcome within the realm of web design for a client.

Summary

As we’ve just seen, freelancing and starting your own business are two very distinct options. It’s also vital that you have a feel for which area of the market or industry you’ll operate within. You can then address the detail down the track. Ultimately, you need to recognize that you’re in the business of helping clients achieve their objectives.

If you’re clear about these considerations now, you’ll find it easier to shape your business as you begin forming a strategy and planning your business. Let’s look at these topics next.

Chapter 2

Business Planning, Research, and Competition

As consultants, we've looked at a huge range of businesses from the inside.

Many people say the Internet is too hard and too competitive an environment to give you any chance of success, but many people make exactly that same argument about other industries. We've also heard people talk about "now" not being the right time to build a successful business.

However, we've seen business people succeed in recessions. We've seen business people succeed with internet businesses. We've seen business people succeed in all sorts of competitive industries. The reason for this is simple: such people succeed anywhere, with any venture. They put systems in place, they react to market changes faster, they sell better, and they manage more effectively. Basically, they do everything better than their competition.

You can succeed in any place, at any time. Run your business the right way, and you can't fail.

To start off on the right foot, you'll need great foundations.

Research and the Competition

Before you can plan your business, it's important to understand the structure of the competition in the world of web design. In my view, the market can be structured around creativity and design capacity, and around a technical delivery capability, as Figure 2.1 shows.

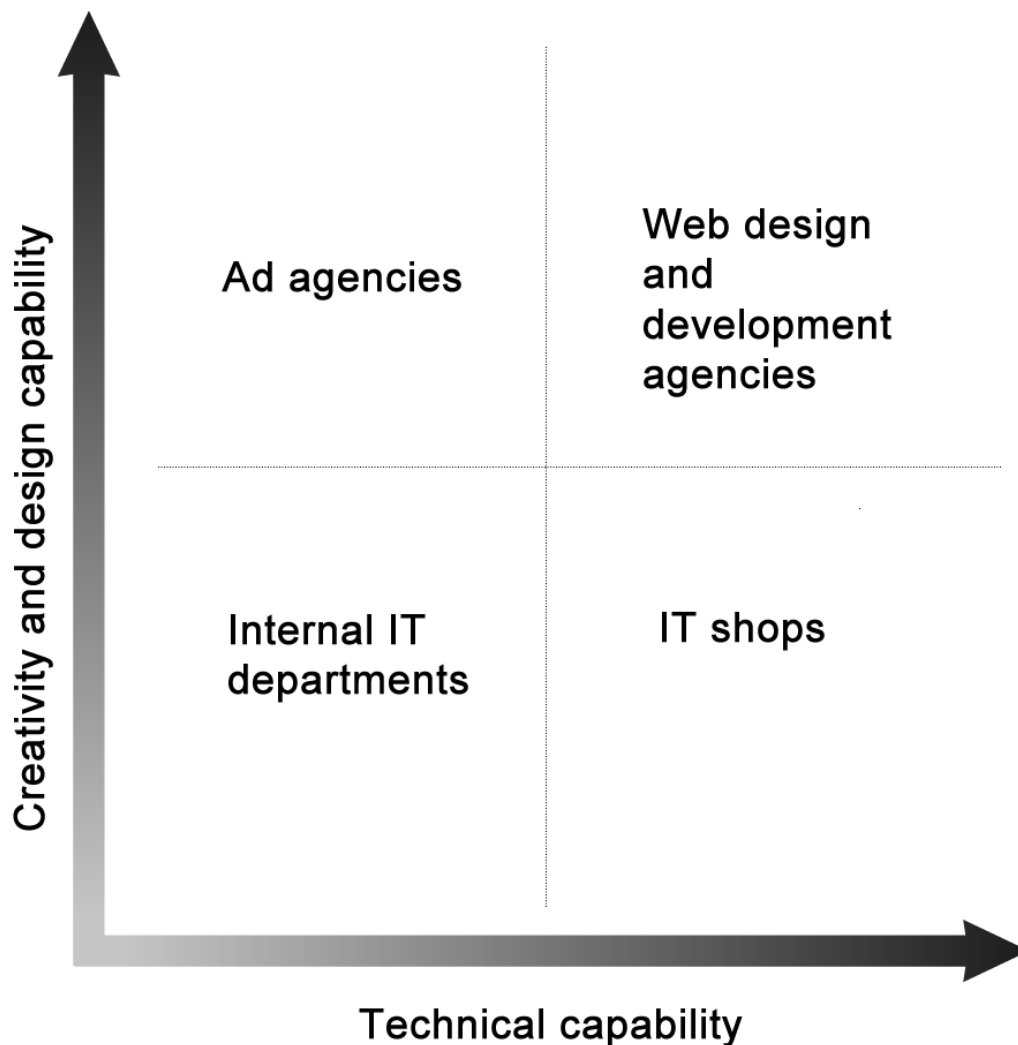


Figure 2.1. The web design market: creativity and technical capacity

As you can see in Figure 2.1, organizational IT departments are at the low end of both the creative and technological spectrums. I usually find that internal IT departments generally have very limited design skills; we don't see designers in those businesses in most cases, as such entities tend to focus on running operations, rather than delivering outstanding web projects. Yet historically, in our industry, the majority of web work has been done by internal IT departments, so it's important to understand that as an external provider, you may be competing for work with an existing internal staff team. I actually believe that the biggest competitor you can have in a web design business isn't other web design businesses—it's internal IT departments that lack the capabilities to do the job, but want to take it on anyway.

On the technology axis, you'll find many companies that are strong on software development and engineering; we'll call these IT shops. They have a great degree of technical capability, but lack the skills to design. We've all seen web systems that function at a technical level, but are horrible to use because the developers failed to apply user experience or design principles. If you're playing in that space, you'll likely want to make sure that you have the ability to differentiate your services by offering strong creative skills.

On the creativity side, a high degree of innovation and design capability exists in advertising agencies. These agencies have seen their traditional business eroded by web development, and their customers are forcing them to move into the web space. But while they offer accomplished creativity and design, their ability to develop technical products is usually low.

The best web development and design companies have both technical ability and fabulous design skills. We're not ad agencies, we're web design firms—and this point of difference will let you compete and create a niche for yourself.

Before you go into business, you need to understand where your skills and capabilities lie, and work out where you're going to position your offering. Let's look a little more closely at evaluating the market.

Evaluating the Market

So you're not a software developer or an ad agency; you're a web design business. Once you have a feel for the area of web design in which you'd like to operate, you need to look at local web design competitors. Join discussion groups and networks to see what other firms are doing, how they're structured, and who their clients are. Try to find out if they focus on an industry or service niche, or whether they offer broad-spectrum services to a variety of client types. This will help you gain an understanding of the business models that different companies use.

Look at the web development companies that you really admire and analyze what they do. How do they present themselves? What sort of clients do they attract? This may tip you off to a few secrets of success for a particular industry or market segment, which you can apply as you launch your own business.

Another way to consider the market is to look for service gaps within it. Ask yourself:

- Are there others that are already doing what I think I can do? Can they do it better?
- Is there a service I can do better than they can?
- Is there an unserved need in the market in which I'm trying to operate?

The way to gather this information is to go out and speak to potential clients. They'll usually be happy to discuss what they seek in a web design firm, and what they feel might be lacking in most offerings—especially since it'll be clear that you're after their insight, rather than trying to sell them something. Talk to as many people as you can. Try to work out what the market really values, and which companies are currently delivering on this. This will indicate how to set your strategy and operate your business.

You'll want to consider the nature of the market segment in which you're operating. In some markets, there's a lot of government work on offer. You may choose a service-oriented industry, or maybe your segment includes a lot of manufacturers or retailers. Once you've defined your market segment, you can start to look for easy ways to enter the market, and establish your business.

As you evaluate the market, you'll need to think about the types of clients that you want to work with, and assess whether they are sufficient in number to support your business in the market you're considering. Otherwise, you may need to rethink your approach and look at other market opportunities. In any case, you have to work out how you'll get a foot in the door in your chosen market space, and where you'll start.



Avoid Biting Off More Than You Can Chew

As a startup, be careful of how much responsibility you take on early in your business's life. Find some clients that suit you and your capabilities, and focus on delivering some outstanding projects. It's less about where you start and more where you can go—where you can take your operation. So start small, and do something that you can use as a reference as you search for the next client, and the one after that. Initially, you'll learn a lot as you begin to work with clients. Treat every project you do as a learning exercise, and engage with clients to discover how you can improve your business.

Your Business Strategy

Once you've completed your market analysis and established where you can best compete, you need to form a business strategy.

Strategies always work as part of a clear goal, so you must define that goal before you can develop a strategy to achieve it. Typical goals might include:

- By the end of year one, I want to have three foundation clients and at least six projects that I can use to help me win more work.
- I want to grow the business to have five employees by the end of the year.

Ideally, you should only have three or four such goals. By setting them, you gain a sense of the scale of your potential business, and you're better able to identify what's required to achieve your goal.

Of course, you'll need some clear financial plans to support your strategy. You might decide to run a low-cost operation that's highly automated, for example. Whatever your financial goal may be, it needs to tie into your business strategy in helping to achieve your overall goal.

As you set your strategy, think about where your strengths and weaknesses are. Understand that it will be necessary to spend money on getting the right advice from experts who can help you achieve your goals. Ask yourself how you'll measure your progress, and how that information can feed back into your business, enabling you to accelerate your efforts to achieve your goals sooner.

Once a week, step back and assess your progress against the goals you've set. This will allow you to react to what you've learned from running your business so far, and change tactics if necessary. Remember the key aspect of building a business: you need to work *on* your business, not just *in* it.

I view starting a business as being a lot like walking up a staircase: if the first stair is shaky, it's hard to progress because collapse is imminent. Good foundations are crucial, the first being a business strategy that outlines your vision and how you plan to achieve this goal, including the financial details, particularly in those first 12 months.

Planning Your Business

Conventional wisdom says that new businesses should have a detailed business plan. Despite this, studies have shown that the existence (or not) of a business plan has no correlation with the success of a business.

My advice is to create a lightweight business plan that's clear and specific about what your vision is, and what your goals and strategies are. Include some financial modeling that projects what it will cost to run the business, and some cash flow projections.

Look at this as a living, working document that you refer to all the time. My belief is that "business doing" is more important than business planning, but don't lose sight of setting a focus and some goals. When you first start out, it's difficult to make assumptions about the growth of your business and how it will run, but having initial goals will at least provide you with a focus.

Each month, review your progress. Look at how business has been going, and how accurate your forecasts have proved to be. Is it panning out the way you expected? Which problems are you facing that you really need to solve before you go much further? This kind of review will help you learn quickly, and adapt to face the challenges of being in business.

Developing a Good Business Plan

Now that you've done your background work, it's time to develop that evolving working document we talked about. As I said, your business plan doesn't need to be comprehensive, or detailed. But it does need to contain a few key elements. Let's look at them now.

Keep in mind that a good business plan assigns specific responsibilities for specific tasks. Any parts of the plan that aren't clearly owned are unlikely to be implemented. So in each case, set the objectives, assign ownership, and then measure for success.

Strategic Goal

As we discussed earlier, it's important to make your strategic goal specific and easily measurable. "I'll have a successful business within 12 months" is vague, while "I want to grow the business to have five employees by the end of the year" is measurable and specific.

SWOT Analysis

SWOT stands for Strengths, Weaknesses, Opportunities, and Threats. Strengths and weaknesses are factors internal to your organization, which play in your favor or against you, respectively. Conversely, opportunities and threats are positive and negative factors that exist *outside* of your organization. Once you've analyzed your business along these lines, you'll be in a good position to develop realistic strategies to meet your objectives.

Operational Plan

Strategies are vital, but to implement them, you'll need an operational plan. Under each strategy, list the actions and initiatives you'll undertake to put the strategy into practice. Set timelines for each activity so that you know if you're falling behind, or if things are happening faster than anticipated, so that you can leverage those advantages.

Next, step back and think about what you're going to do to deliver great service to clients. You only really need a series of bullet points at this stage, but make sure you apply these guidelines in your business continually.

Establish a marketing plan, budgets, the staffing required, and your policies and procedures. Once you can see how the plan is looking, set up your time-recording system, your ac-

counting and billing structures, and your bank accounts. Make sure you've completed all your business registrations, bought your insurance, and so on.

Additionally, this plan will help you develop some cash flow and capital projections that, in turn, will help you identify your business's financial requirements. Will you need credit facilities? How much capital will you require? Keep in mind that, ultimately, you're aiming for a financially sustainable business.



Starting Off on the Right Foot

The Web can provide practical starting points to help you set up critical aspects of your new business. For example, there are many online destinations where you can buy prepackaged contracts designed for web development. Similarly, it's easy to find software, accounting tools, project management systems, time-recording tools, and so on. My advice would be to access and use them from the start. One of the problems a lot of small businesses face is that they're so busy delivering to clients, their weekends are spent invoicing and chasing up cash. Putting tools and systems in place that automate those processes at the start—and at a low cost—is smart business.

What can go wrong?

The two factors that can go wrong in business are:

- you're unable to win work or new customers
- customers become problematic and you struggle to deliver projects on time and on budget

You need to ensure that the first jobs you take on are properly costed, and that you're paid as you go. If you lose money on those jobs, or your ability to generate cash flow, you'll be out of business very quickly.

The other issue to consider up front is: do you have the financial resources to maintain and run this business? Make sure when you start that you have a clear idea of how long you can run the business on your existing resources; draw a line at the point at which you believe, if it's reached, you'll need to reassess whether embarking on your business has been the right decision. Monitor your cash flow carefully at all times, so you know as soon as you've reached that point.

The worst thing you can do is not acknowledge that you're failing. This will inevitably drain all your financial resources, and leave you much worse off than you would've been had you bowed out earlier when you realized it wasn't working out.

Forming the Right Mind-set

When you're starting out in your first business, you need to have a no-frills mind-set.

In the planning phases, consider the capital required to start the business. How much money will you need in the bank to get the operation up and running? If you have clients lined up and you can launch without delay, you may be able to build a cash flow quickly; however, you really should step back and ask yourself, "Do I have the financial resources to set up a business and make it work?" Understand that your cash flow may go up and down, and that you may not have a continuous flow of work—hence the need for a no-frills approach.

Don't let your ego get in the way of your business's survival. Starting out in your first business isn't the right time to buy the new color photocopier or plush red office furniture. No new car, no new cell phone, no huge office space with city views. Avoid spending money on items that don't help to generate money. Buying this kit was a wise investment; signing a three-year lease on a 2,000-square-foot office when you're just starting out is not.

Staffing needs to also be considered. As a business owner, you'll likely employ staff, but be careful of trying to employ too many people too early. Despite having a fantastic pipeline of client opportunities, those opportunities may not materialize as you expect. But you'll still have payroll to make each week, and if you're over-staffed, this can become a major nightmare.

You need to focus on survival—and that means running the business with as much frugality as possible.

Saving on Equipment

You'll have to work hard in the early stages of your business to bring cash in the door. Avoid throwing it straight out the window on unnecessary equipment. It is exciting to set up a new business, but do *not* let it go to your head. You don't need a new printer or photocopier—in fact, you don't need a new anything. Visit the local auctions, scour the newspaper ads, and visit secondhand shops.

This kind of austerity may be unimportant in the long run. Understand, though, that the point is your outlook and attitude. Save wherever you can, and you'll soon develop the mentality of a businessperson intent on keeping expenditure tight and cash flow positive. In the end, that can be the difference between success and failure.

Saving on Office Space

It's very hard to start, establish, and grow a business. You'll need everything in your favor, and having to produce thousands of dollars each month for office rental is best avoided. Many fledgling businesses are run out of home offices and second bedrooms. They're fine places to start.

If you do most of your business on the phone, via email, or when visiting clients' offices, you may not need any more than a home office—at least in the early days. With modern technology, your virtual office can be set up simply and easily. You'll have a web connection. You can answer your own telephone calls, use voicemail or answering services, or even contract a virtual assistant if you feel you really need one.

Innovating and Making Do

My offices don't contain the latest furniture. All of the desks came with the office, as did the furnishings for the reception area. The two bookcases and the boardroom table came from a local secondhand store, at the grand old cost of \$350. The lunchroom fridge cost \$50 at a garage sale, while the office chairs were all secondhand and cost \$180 in total. The boardroom chairs are my old dining-room chairs.

Remember: the more expenses you have, the more income you need to generate. Reduce your expenses, run a lean operation, and you'll find it easier to avoid financial difficulties.

Finding Good Advice

When you start a business, you don't know what you don't know. Be open to seeking advice from specialists like accountants and bankers—but also from people who have experience in running web design businesses.

One of the most useful things you can do when starting a business is to find some business mentors. You'd be surprised at how often successful people are more than willing to mentor new entrants into the industry and help them out. All you need to do is ask.

Attend functions held by people who run web development businesses, and mix with them. Think of the companies that you most admire in the sector, and contact their CEOs or senior people to ask for advice. Sometimes they'll say no, but in my experience, most people are happy to oblige.

Another crucial area in which to seek advice is potential clients. Ask them what they want in a web development company. Talk to peers or businesses that operate in the industry and discover what they believe makes a successful web development company.

As you've probably guessed, you'll need to create solid relationships with an accountant, a bank manager, and probably a lawyer—after all, you'll need legal documentation, contracts, and so on. I'd recommend that you avoid spending a lot of money on these kinds of services, but at least establish relations so that you have a good foundation from which to start.

Let's take a closer look at the options for seeking good advice.

Accountants

An accountant is the best source for accounting, finance, and budgeting advice.

Find an accountant with relevant industry experience, and who you feel comfortable with; don't settle for the one who lives closest to you. Your accountant can have a major impact on your business life, so take the time and trouble to find a person with whom you can work well. Recommendations from other business owners are a good way to find the right accountant, so ask around those you know.

Bankers

First of all, bankers are never the best source of financial advice. They have a vested interest in selling you their own products, so their advice is always likely to be biased and not necessarily in your best interests. With that in mind, you can still approach a banker for some advice.

While bankers often have almost no real experience as a business owner, they've seen many people fail in business. This is where they come in very handy: they can usually see the warning signs of a troubled business, and may be able to alert you in advance. Many banks offer small business advisory services, and a good bank will be able to support you with small business services like meeting rooms and other facilities, in addition to information.

Lawyers

Lawyers are an excellent source of legal advice, naturally. Take their knowledge and opinions into account, but always remember that any final decision is yours.

It's important to gain a handle on all your own legal affairs; for instance, learn how to read a contract. I find it beneficial to sit down with a contract and go through it point by point, write notes in plain English about the content, and then review it like that. Take responsibility for understanding your own legal position.

Friends and relatives

Friends are great for friendship, relatives are there to care; both are usually an unreliable source of business advice. Friends and relatives will tell you what you want to hear, believing that their role is to offer encouragement, no matter how inadvisable your venture or crazy your scheme. By the same token, you'll have well-meaning friends and relatives who are fearful for your sake; they can be discouraging about your perfectly sound business ambitions.

Unless you know them to be objective and knowledgeable about your area of business, avoid confusing sound friends with sound businesspeople. Borrow their contacts and business relationships, not their advice.

Other businesspeople

I'm not talking about major business leaders here; I'm talking about the woman who runs the corner liquor store, or the guy who has a small trucking business, or the local florist. These people are in the trenches day after day. They know the importance of cash flow, how vital it is to keep costs down, and how to survive in what can be a harsh business world.

One of the most useful things I do is have a brunch every Thursday with five other small business owners. Our little group includes a PR consultant, a resort owner, a computer store proprietor, a taxi driver, and an internet business owner. We run ideas past each other, discuss cash flow situations, and generally gain different perspectives on the issues we face.

That's the sort of advice you need—non-biased, and based on real-life experience.

Of course, the most important aspect of advice is to actually *listen*. You can surround yourself with the best advisors, but if you fail to listen to them, they may as well not exist.

Arming Yourself for Success

There's a daunting statistic often mentioned when the failure rate of new small businesses comes up in discussion: it suggests that 80% of small businesses crash and burn within their first five years. While its origin is unknown—and it seems to be an exaggeration designed to dissuade the faint-hearted from taking the plunge into business—there's certainly a large number of small businesses that fail in their first few years.

So what makes you think *you'll* succeed? Well, it's simple. You'll succeed because you're going to be armed with several weapons the others lack:

A goal

The vast majority of successful people have specific goals. Your goal must be achievable, and you must wholeheartedly believe that you can reach it.

A plan

You need a plan that covers all the major potentialities. Who's doing your accounting, and what package will you use? Exactly how will you market your offering? What if a client decides to sue you? What if you make more than expected in the first two months? What if a person sends a letter asking for a job? What if the local newspaper approaches you? Think through the eventualities, and plan accordingly.

A positive attitude

Are you rolling your eyes to the heavens? Having a positive attitude has become a truism and a new-age mantra, but even so, you *do* need a positive attitude.

In starting your own business you stand to be rejected by countless people. They may be aggressive, adversarial, and downright rude, but you must stay positive. A positive attitude is the difference between your success and failure.

Every successful person I've ever met has a positive attitude. They are optimistic, know what they want, and never let a few disappointments stand in their way. On the other hand, a negative personality in business can very quickly destroy it.

Self-belief

In business, you'll come up against problems. Often, there are plenty of solutions you can use to deal with those problems as they occur. Implement the option that you decide will be best.

If that option fails to work out, that doesn't mean it was the wrong decision. It was simply an option you tried. Try another option, and if that's unsuccessful, try another. Sooner or later you'll find an answer to that problem. The next time you have a similar problem, you'll already have the solution at hand because you've been there before.

When you're just starting out in business, you'll have times when you ask yourself, "Have I made the right choice? Have I found an opportunity to succeed here?" It's okay to listen to your demons, but you really do need to have a positive attitude—and a practical, problem-solving focus.

Stress and anxiety are probably the biggest killers of people trying to start a business, so it's important to keep the issues that will arise, inevitably, in perspective. Understand that any business encounters problems. What's important is to accept that a problem has

occurred and take action to remedy the issues you're facing. The worst thing you can do is fall into a depression where you're paralyzed by fear, unable to make the decisions that will make or break your business.

It's normal to go through ups and downs in business—but you do require a strong level of resilience and self-belief. You also need to take breaks from the business—on weekends and in the evenings—so that you can avoid becoming so wound up in your operation that you're unable to do what's needed to make it a success.

Summary

Now that you've decided to start a business, it's crucial that you set yourself up for success. Have a vision and a plan, but at the same time, understand that things will change—they won't always go according to plans you've made.

As we saw in this chapter, it's important to step back and understand the big picture of the environment that you're operating in. The web design world is changing so quickly that while it creates enormous opportunities, it also creates great challenges. Understand your market, and your unique value, and pursue opportunities according to your strategy.

Surround yourself with the right advisors, systems, and tools so that you can operate your business efficiently, and focus your time and energy on what really matters. Seek advice from those around you, and listen to what they have to say. People will want to help: all you need to do is ask.

Make sure that you set up the base foundations of your business well in regards to accounting, legal, insurance, and financial matters. Sweat the small stuff initially. If the client needs a proposal, do it. Once you've finished the job, invoice. Don't take it easy, take it seriously. This kind of approach will make you a very disciplined businessperson, and give your fledgling business a real chance of success.

In this chapter, we also saw why it's important that you avoid overspending on items you don't really need. What you're doing is less about image, and more about starting a business from the ground up. What you *do* need is to start delivering great outcomes for clients because, after all, that's what will drive your business growth.

The most important aspect is to have a real passion for what you're doing. If you lack passion, your clients will know it, your staff will know it, and you'll fail. Decide which business you're in, identify what you're passionate about, and make sure that you deliver great services to your clients. Ultimately, that's what will see you succeed.

Chapter 3

Creating Success Through Clients

The most vital part of building any business is creating strong client relationships.

When you're starting out, think about who your ideal client will be. In one business I ran, we made a conscious decision to look for clients who had complex requirements and ongoing projects with an orientation towards outsourcing their web development work. That made it very clear what sort of clients we were after, and helped us focus on sustaining the business, because by developing relationships with clients who had ongoing needs, we would be provided with ongoing work. This enabled me to build a rapidly growing business very quickly.

Who's your ideal client? How can you find them, and how can you engage with them?

Helping the Client with Strategy

The best way to build your business is to develop clients who'll advocate for you. These types of clients will free you to use your abilities in order to deliver great results for them, and they'll let you publicize this, using their testimonials as references for your future prospects.

How do we create client advocates? I believe you need to treat the experience you're providing to the client as a journey—a journey where you're the guide.

My belief is that most clients will come to you because they don't know how to do whatever it is they want to do. They're looking for you to take them on a journey to achieve results. As the service provider, you need to teach them what they should and shouldn't do, and

how they can use the Web and other technologies to reach their goals. So your first question to a client is to ask them not what they want, but *what they're trying to achieve*. What are their business objectives, and who are they trying to achieve them with?

At that point you can move the meeting on from the “I want a website” discussion, and abstract it to the results the client is aiming for, and the ways in which you might be able to help reach them. Rather than just rushing in and building a website, draw out a road map or strategy that will allow you to attain the client’s objectives. In this strategy, there might be multiple projects, but you should show the client how they’ll help them reach their business goals.

Clients love the approach of a web design firm that asks to see their business strategy and annual reports. Ask what’s working and what’s not; ask why they need an external web developer. You need to be curious about your client, to ask questions; listening is probably the most valuable task you can perform in those initial meetings. Don’t tell them how good you are—ask them what they’re trying to achieve.

Many sales people have the view that they must always be selling. I take the view that you should be listening, along with sharing experiences that might allow the client to determine how you can help them reach their goals. You might even identify that you’re not the person to help them. In that case, you can refer them to the person who can. Regard every meeting you have with the client as a means by which you can set the basis for a strong, lasting relationship. Even if you don’t end up doing any work for the company, if you help them out, they’re likely to give you glowing word-of-mouth referrals to others.

Now that you understand exactly what the client’s business goals are, if you can help the client, it’s time to be specific about what you can do for them, and how. Often, your clients will have no understanding of how to move into the Web space—they’re looking for your help. So start to refine their needs, and the types of solutions that might meet those needs.

Sometimes, these discussions might require an education session. In fact, I often have an executive education session as one of the first steps with a new client, particularly around topics like social media and the mobile web. This can help the people in the business understand how the Web can help them attain the business’s objectives.

Creating Certainty

One of the things that clients are most worried about as they begin to deal with an external web agency is certainty. How can they be sure that you can deliver, that you’ll meet the timelines and budget? On the other hand, how can you be sure the client really will sign

the contract—and be good to work with? Often, a client will become very excited about the projects you’re discussing, leading you to think, “Great! I’ve just won a job.” But you haven’t won the job until the client’s signature is on the contract. Until that point, anything could happen—and often does.

To work closely with your client, you both need certainty. There are a number of techniques you can use to create a sense of certainty in your relationship.

First of all, be transparent, and help your clients understand the process you go through to create solutions. This will help assure them what exactly it is that you do. Make sure you confirm with them that they’re happy, and that they understand what you’ve discussed every time you speak to them.

As well as helping the client to understand your processes, you need to understand theirs—that’s how you can enjoy a degree of certainty about their commitment to the project at hand. Spend time understanding the process that your client will move through before they decide to engage your business. Try to ascertain whether there’s a key individual who you need to speak to in particular, or something you can do to advance them along.

One of the questions you should ask is, “What decision process do you need to go through to engage us to do this work?” You may find that you’re not talking to the ultimate decision-maker. Often, organizations have complex decision processes, and if you can identify the decision-maker, and help that person make the choice more easily, you may just be the company that wins the job.

I use one other very helpful technique to create certainty with clients: when my business starts with a new client, we try to work out a project plan that allows for a **taste-test project**: a small piece of work that allows you and the client to gain a taste of what it will be like working together.

Whenever you start a new relationship, there’ll be a getting-to-know-you period where each party learns how the other works. This period is risky, and can make the decision to engage your business more difficult to reach. The taste test will provide a clear idea of what it will be like to work with your client in a low-risk situation where the time frames and deliverables are manageable and transparent. It can really help to get a nervous client over the line and into what is effectively a trial of your service. You can establish a working relationship, and expand it from there.

During the taste test, make sure you overcommunicate with the client. Appreciate what's happening in their world, tell them what's occurring in yours, and work to understand them. Continually ask them if they're happy with the way it's all going, consider their body language, and delve deeply into any strange or unexpected questions as you strive to assess the status of—and develop strong foundations for—your budding working relationship.

Client Checkups

As you start to develop foundation clients who will provide you with an ongoing stream of work, initiate regular meetings to openly discuss the relationship and the projects: how it's all going, and where any problems are arising.

Have a strong project management and collaboration process, involving the appropriate tools (we'll talk about project management tools in detail in Chapter 14), so that the client and your staff know who's responsible for what. I like to have regular catchups on any project where both the client and the company can discuss what works, what doesn't, and any issues and risks. Having an open and objective discussion with the client really helps to build strong relationships, and avoids problems that can turn into major issues simply through a lack of communication.

Creating Client Advocates

When you complete a project, always undertake a post-implementation review with your team—even if that's just you—and the relevant client staff members.

Interview the client about how well they felt you delivered, and what the experience was like. If you have a few employees, send one who's not from the project team to complete this interview; they're likely to be more objective than a staffer who spent precious hours on the client's work, and the client will be able to speak more freely and honestly. Ask the client to give the team a rating out of ten—this gives a clear indication of whether the client will be an advocate for your business—and inquire whether they'll provide a reference to potential clients you may have in future.

Don't neglect to go back to the client some time after the project completion to learn how the project has impacted their business, and whether it's achieved the goals you set. One of your most valuable assets will be a strong repository of excellent client case studies that you can show to prospects. My company also films clients, and publishes those videos to our website so that other clients and prospects can see what our customers are saying about us.

Engaging with your clients as part of your business strategy is probably the most powerful way of attracting new clients. Testimonials and videos that enable other companies to hear straight from the customer's mouth what they thought about dealing with you and the results they achieved is much more powerful than you trying to tell people how wonderful you are.

Building relationships with clients who become advocates is the best way of growing a successful business. It's also the best way of learning how to continually improve in what you're doing.

Summary

Think about the clients who you work with and make sure that you're more focused on achieving your customers' goals than making a sale.

When you start working with a client, ensure that you both have a clear understanding of how the process works and how you'll communicate with each other. Understand that the first time you work with a client, there will undoubtedly be issues—that's a natural part of dealing with people. Plan to have regular sessions that are structured to ensure the job goes as smoothly as possible, and make sure you address those issues as soon as they arise.

At the end of the project, talk to the client and learn from them what you could have done better. Use the opportunity to educate the client in terms of how *they* could do better.

Finally, make sure that you're capturing case studies and references after the project's completed. Used on your website—in articles, newsletters, pitches, and other promotions—this evidence of client advocacy can help to build your business in the future.

Taking the Plunge

Ideas are good, but actions are better. Procrastination is the silent killer of many, many businesses, and as important as it is to have a plan, nothing beats *implementing* that plan.

My company recently interviewed Kath, a web developer who has been in business for years and really knows her stuff, for one of our site's podcasts. Kath told me the only form of marketing she conducts is finding local businesses with websites: "I just find websites that could use improvement, pick up the phone and call them, and say, 'I can have your website make more money.'" She organizes a meeting with the site owner, goes on in, and sells. That's it. Kath makes 20 calls a week and generates five sales from those 20 phone calls—she certainly can't be accused of analysis paralysis!

Once you've been in business for a while, you'll know what will work for you. Some decisions will be better than others, but you'll always have that experience to refer back to and to use forever. By reflecting on whether the decisions you've made work, you'll grow used to anticipating and taking the right actions, and learn to avoid the wrong actions. So don't be paralyzed when it comes to the crunch—make your decision, and run with it.

In this chapter, I'll cover ten courses of action that will get your business going. We'll see what just one client means in terms of expanding your business when they refer more clients. We'll meet the perfect salesperson, develop a client database, look at what *not* to do in business, and discover some secrets of success.

Starting the Business

Starting a business carries the highest risk of failure because it has the greatest uncertainty. The main question you have to ask before taking the plunge is this: is there a demand for my services in the area I'm targeting?

It takes time to build a client base for your business; figure out what works best, and build the infrastructure you need. While that time is ticking away, you have bills to pay, and you probably will have little income coming in. What do you do to start?

Ten Courses of Action

To get started, here are ten courses of action that will help you gain your first client::

Ask yourself three questions

- How can I generate more revenue over the next six months?
- How do I want my business to develop over the next year?
- What will I do to achieve this?

Set aside time each week to think about your business strategically. It might be a Thursday brunch like the one my business has, or it may mean a board meeting, or having some quiet thinking time. Regardless of how you do it, make some time to work *on* your business, rather than *in* it.

Start making contacts

Start collecting the name, address, telephone number, and email address of every single client, prospect, and friend in business you have. Put them into your database. Invest the time to build a strong following on Twitter. Make sure you have an up-to-date LinkedIn profile, and connect with everyone in your database through this site. This will ensure that everyone who is acquainted with you knows you're launching a business, and is aware of the kind of work you'll do. Twitter and Facebook are also great ways of amplifying the message about what you're doing: one update may be redistributed among broader networks many times over by keen followers and friends.

Stop telling prospects what you do

Enough about you already, what about them? You're a needs analyst. When you meet a client, make sure you've done your homework. Find out what they've currently published on their website, and research what's being said about them in the press and social media. You'll gain a clear idea about what the prospect is trying to do, and when you go in to meet them, you'll come across as someone who really understands their business.

Nonetheless, ask the prospect lots of questions about their business. Remember the old saying: first understand, then be understood. Make sure you're more focused on the prospect and what they're trying to achieve than on what you do. Once you understand what the client really needs, you'll be able to map out a solution that helps them.

Build a consistent follow-up sales process

It's always easier to sell work to an existing client, because you know their needs and what the next steps are likely to be. Make sure that as you finish a project, you're clear about the client's future needs. Discuss them with the client while you're still working on the job.

For instance, if you've designed a website for them, your follow-up sale might be site maintenance. A consistent follow-up sales process is critical to your success. We make a proposal to the client for ongoing work for almost every site we work on, usually focusing on the maintenance and marketing of the site. This ongoing work is among our most profitable (and it's work that almost every website requires).

Let's say you finish a small site for a client, and charge \$200 per month for ongoing content maintenance. We'll assume it takes three hours per month to complete this maintenance. As you grow, you attract more and more clients, and within 20 weeks, you have 20 clients. That's \$4,000 per month for ongoing maintenance work. Let me tell you—from someone who started his business with zero clients—having that come in monthly helps take the pressure off, allowing you to focus on attracting the best and most profitable clients.

Build your business website

Everybody's heard about the cobbler's shoes and the plumber's bathroom. That adage often applies to those who work on the Web, too. Ensure that your website looks credible, because it will be many prospective clients' first port of call. They'll visit your site to see the type of work you've produced, so as to gauge whether you're right for them. I've often found in web design businesses that the focus on external clients' projects can mean that the business neglects to focus on its own website. And if you have a fairly ordinary website, that can be a real turn-off for clients. Think about how you can use the Web, and incorporate features like blogs, Twitter feeds, and updates to make your site dynamic.

One of the most powerful tools you can have is a series of case studies that talk about the different business problems you've solved for clients. With this in mind, make sure that the completion phase of any project includes creating a detailed case study for the job. As we've mentioned, video is very powerful, so it's ideal if you can have

a client give you their testimonial on video—talking not only about the project, but also about the results the client achieved.

Maintain constant client communication

Make sure you send a constant stream of communication to your network. A good way of keeping clients and prospects informed—as well as making contact with potential clients—is to consistently communicate what’s happening in the field in which you operate. You can do this by writing a blog, or simply tweeting what other bloggers are saying that interests you. Ensure that whenever you finish a project, you gain permission from the client to prepare a case study.

Work to get into the press

The traditional media are always interested in new stories. If you’ve done work for a client that is a first for its field, or has some angle that may interest a particular publication’s readership, why not send out a press release? Technology magazines, industry publications, or business periodicals can be good places to start. If you are published, you’ll have some worthy news to forward to clients. It shows not just that you’re being noticed by the press, but that the work you’re doing is significant for the industry.

It’s also a useful way to build relationships with journalists. If you do send a release, follow up to see if they’re interested in the story, and while you’re doing that, find out what other stories may suit them. Once you’ve established relationships with the press, you’ll find that they’ll call you regularly; this stands to get a lot of free, highly credible marketing.



Focus on Business Publications

My company tends to focus its media efforts on business publications. IT publications are good, but a lot of businesspeople won’t be reading them. It’s easier to reach prospects through the business press.

Become accomplished at public speaking and events

Given the changing nature of technology, there are always conferences focused on the latest trends, developments, and happenings. A really great way to put yourself in front of a lot of potential clients is to become better at public speaking, and land gigs speaking on the topics that you’re interested in. Public speaking in front of audiences of 200 people means that in one hour, you can achieve the equivalent of 200 client pitches—that’s a lot less time than it’d take to present 200 one-hour pitches to prospects. It’s extremely practical, and it adds credibility to your résumé and your business.

Example 4.1. Come to My Conference

When I launched a web design business, one of our first tasks was to organize a conference as part of a major multimedia festival being held locally. I called the festival's organizers and said I wanted to add a business stream to the conference, and we pulled together eight speakers, including me as the keynote. In effect, we were able to sponsor our own mini-conference within this larger industry meetup, and that really kick-started our business.

If you're unable to get public speaking gigs yourself, run events. Invite clients and prospects, and advertise it widely. Be sure to capture any events you run on video, and stream them live to people who are interested, but can't attend physically on the day. And, of course, publish them to your site for future reference.

Reward good clients

Show your gratitude to clients and contacts who help you to grow your business, whether it's through companies they refer, or by engaging your services themselves. Give back to them by providing information, advice, and assistance wherever you can. Invite good clients to events that you're going to, or take them out socially—a celebratory dinner at the end of a project, for example—so you can build those relationships further. My business also puts on sandwich lunches that bring clients together to talk, learn, and socialize. This puts you in the position of facilitator of your own client community—that's a very valuable position to be in.

Go the extra mile

At the minimum, you must satisfy your clients and deliver what you say you will. If, while you're working with a client, you can help them with advice that stretches beyond the original scope of your project, do so. Maybe you can use your expertise to make suggestions about other aspects of their business, or alert them to tactics that other clients are using (without divulging any corporate secrets, of course!). This is a very reliable way to exceed client expectations, and a client whose expectations have been surpassed will be your best reference.

Keep an eye on your competitors

Regularly look at competitor websites to find out what new projects they're working on, and which new fields they're moving into. Read the trade magazines and industry press for any announcements about what competitors are doing. This will prompt you

to consider whether you should be moving in the same direction, and give you the chance to see if they're moving ahead of you in the market.

Additionally, if you're in a competitive situation and you lose to another web design company, go back to the prospect and ask what you could have done to win the business.

Learn to perform

It takes many years to hone the perfect client pitch and run successful meetings with prospects. Of course, the best way to do this is to practice, but also, after you've had a client meeting, call and ask if they have everything they need and whether there's any other information they may require. Continually update your processes, and learn by doing.

Build a Successful Business on Long-term Relationships

If you have to go out and win every project from scratch without having any consistent work, you'll fall into the chase-your-tail model. This means focusing all your attention on delivering the client's project, and then suddenly realizing once you've done so that you need to sell another job to keep the business afloat. It's always a feast or a famine. How can you avoid this trap? By having a range of regular, repeat, underpinning clients.

Example 4.2. Wanted: Underpinning Clients

When I took over one midsized web design business, I reviewed the client base and found that a single client represented 33% of that business's revenue. While this client was big, and a great relationship had been established—and it garnered us a lot of press coverage—I saw that client as our biggest risk. If they left us, the business was in real trouble. Of course, as a large organization, it was always being approached by advertising agencies and other web companies who wanted a piece of the pie. Additionally, because it was a large client, there was the added risk of it being difficult to control. While I didn't want to reduce the business we received from that client, I did want to expand our underpinning client base. Over the ensuing months, we continued to service this client very well, but we set about building other underpinning clients to provide greater stability and stronger foundations, removing our new web business from such a precarious position.

The underpinning client is one of a stable of clients that give you regular, consistent work that keeps the rent paid and the wages bill in check. It also gives you the opportunity to spend more time winning work. You spend less time on selling bread-and-butter jobs,

and can dedicate your time to performing strategic tasks for your business. In short, underpinning clients provide a foundation for solid future growth.

We've already seen that as you complete your first project for any client, you should be assessing their needs, and looking for additional ways to work with them. Some—but not all—of those clients will continue to work with you, and they may well become valuable underpinning clients for your business. For those who do, you have the benefit of knowing the clients and their business, and you're confident that you can work well together and rely on each other.

Undoubtedly, you'll also receive great references from these clients—and that's crucial. When another prospect wants to speak to your existing clients about your work, you can refer them to your underpinning clients, and be sure to receive a fabulous rap. Gradually, you'll expand your underpinning client base, giving your business the foundations for future growth.

So which clients are most likely to become your underpinning clients? They typically have an organizational mentality of outsourcing work to experts, and ongoing, complex needs. Do you know any companies that fit the bill? Perhaps you should make contact.

Preparing for Tomorrow

To arrive at tomorrow, you'll need to survive today—and survive it in great shape. How can you ensure your business is well-armed for the future?

The most common causes of business failure aren't the ones you'd expect. One is **overtrading**, where you grow so fast that you're bringing on customers and staff at breakneck speed, only to find that your back office is unable to keep on top of project delivery, invoicing, and collections. It's a deceptive situation, since everyone's busy working and you have lots of clients, but you'll wind up with cash flow problems if you continue like this.

Another common cause of failure is The Big Job: a client asks you to perform a task you've never done before. In your excitement at the new challenge, you throw all your resources—people, money, time—at it. Meanwhile, the rest of your business is pushed to the brink as clients, cash flow, and deliverables languish.

It's true that if you can't sell, you'll fail. But it's also true that if you can sell, but you can't manage, you'll fail. It's crucial to maintain that balance.

Avoid the trap of ignoring what lies ahead in order to focus on today. Now is an excellent time to take on board two philosophies that will serve you well today and into the future: client management and sales. The tips I'm about to provide on these two mission-critical activities will put your fledgling business in good stead for a profitable future.

Develop a Client Database

Develop a database of your customers, prospects, suppliers, potential suppliers, media contacts, friends, competition: anyone who has the potential to have an impact on your business.

This database will be your biggest business asset. It will enable you to attract new clients more easily; for instance, by alerting your clients to new ideas and trends, and being able to keep in touch when they move to different organizations. And one day, it might add greater value to your business should you ever decide to sell it.



LinkedIn: A Great Client Database

One of your key tasks here is to maintain your database of contacts. Traditionally, this was difficult to do; people would move from business to business, and you'd be none the wiser that they'd changed jobs. Your database could quickly become redundant. Using online systems such as LinkedIn,¹ where your contacts maintain their own profile, solves this problem: when they do move, they can update their details themselves, so you'll know where your contacts are working at any given time.

This leads to the other great opportunity that LinkedIn can provide. As soon as you see that a contact has moved to another organization, get in touch. Often, they'll be moving into a role in which they'll have a need for help from a web design business, and keeping track of your clients can be a strong business strategy. One of my clients has been using my business's services for years, across three different employers that he's worked for. Check your LinkedIn alerts regularly to see who's moved where, and jump on the phone to those contacts as soon as you can.

A database is the most perfectly targeted market you can have. Your client database is, effectively, a list of loyal fans, of advocates for your business, of people you can call for a case study or reference, and of people who will likely use you again at some time in the future.

So building your database of contacts is crucial. How can you do that? Here's an example:

¹ <http://www.linkedin.com>

Example 4.3. Find People Who Can Help You Find New Friends

In my organization, we have a Twitter account and a blog for the brand itself. I have my own personal Twitter account, and we encourage our team members to have their own accounts too. We look for people across the team to contribute content to the blog, and we're always out there doing public speaking at relevant industry events. We're always out there, in the mix.

What's great about these approaches is that they provide the opportunity to amplify your message: other people can retweet it or link to your blog. We also do a lot of guest appearances on other companies' blogs; it's worthwhile looking around and working out who else is out there in your field, then join together to make more noise, garnering more attention than you would otherwise. We did a video for BNET² a few years ago, and it really is a gift that keeps on giving, with us still receiving contacts from that exposure even now.

One key way to promote these channels to your contacts is to include your Twitter, LinkedIn, and other social networking details on your business card, website, and everything you do.

The other benefit of engaging through social media is that these tools make it easy to find out what other people are saying about you, and keep an eye on your reputation within the market. You can take advantage of this in a number of ways: when a prospect asks me what our customers are saying about us, we encourage them to check our @ replies on Twitter as a first step. If people are saying good things about you, let your clients see for themselves.

Recently, a client asked us for our résumé and references. We sent him the Google search results for our names and a Twitter search for our Twitter usernames—and won the job. The client remarked that the Google search told him far more than we could ever fit on a one-page résumé. As this example shows, it's best to let the market speak for itself.

You really want to go one better than building a client database: you want to build a client network. So go to as many networking events as you can, and when you're there, speak to as many people you don't know as you can. Networking is less about what you can gain from a situation, and more about what you can give. Be an active participant in your

² <http://www.bnet.com/>

business networks. Help people out, do favors, share information—whatever you can give, give it. This will organically build your network.

Don't be afraid that you're giving contacts too much information. If a client takes the information and uses it without you, they undoubtedly would have done that anyway. On the other hand, you'll gain much in terms of work and word-of-mouth recommendations, by giving information freely among your network peers. We find that the more we explain to clients about the fields in which they're interested—integrated social media, ecommerce, mobile apps, and so on—the more likely they are to realize that they need help to implement projects in our areas of expertise. Since they're talking to us, and we're giving them the information they need, they're likely to trust us and seek out a partnership on their next project.

Maintain contact with the people in your network, and look at what you can provide. Networks are built over time, and they'll work for you if you put in and work for them.

Put Yourself on a Fast Track to Sales

Most businesses experience ups and downs with sales. That's because when you start out as a small business and you win a job, it's all hands on deck to deliver. But when you lift your nose from the grindstone, you soon realize that there's no new work coming in. Business development should be an ongoing part of the work you do, no matter what client work you have on.

Ultimately, the way to put yourself on a fast track to sales is to become a trusted advisor to your clients, past clients, prospects, and contacts. You don't want the client to feel that every time you call you're trying to sell them a service. Instead, it would be preferable that you're calling to share some news with them, or giving them something of value. How can you achieve that status?

These are the primary techniques we use to maintain a reliable sales process for our business while strengthening our position as trusted advisors among our contacts:

Undertake pipeline management

In business, the adage that you're only eight weeks from disaster is usually true; it's difficult to see what may eventuate beyond the next month or so. To help us see a bit further into the future, we engage in pipeline management (illustrated in Figure 4.1), in which we look at:

- the conversations we're having with prospects about potential work
- identified opportunities, where a client's asked for a proposal

- proposals in progress, where we're waiting for a response to a submitted proposal
- wins, which is the work we're expecting in the coming weeks, and work that's currently being completed

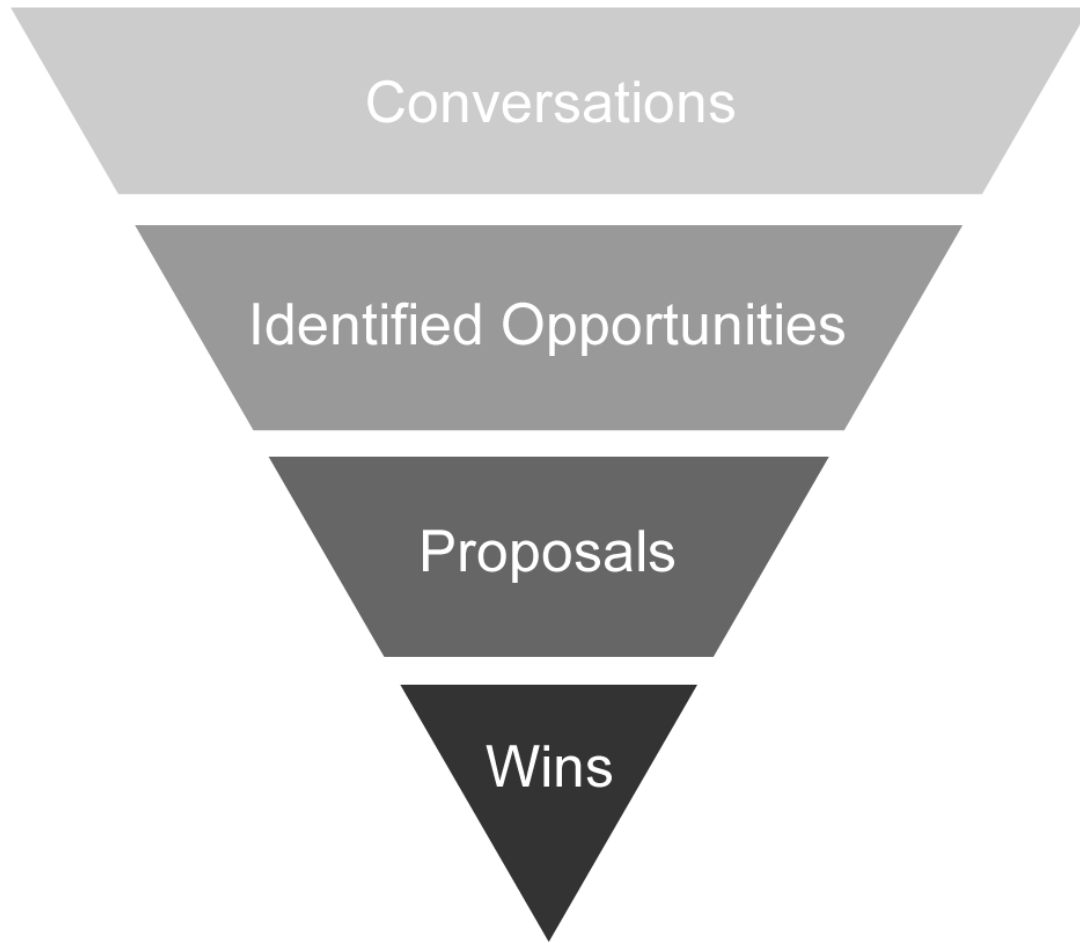


Figure 4.1. The sales funnel

Take a couple of hours each week to review your pipeline, and try to identify opportunities that exist within the organizations you're currently working with. When starting out, make sure once you have that first client that you have clients number two and three coming on board, or that you have further opportunities arising through the clients you're already working with.

In the end, pipeline management comes down to discipline. Don't talk about it—do it. To do it well, you'll need to be aware of the lead time that's likely to elapse between the day you start talks with a prospect and the day they actually sign the contract. Monitoring this lead time is also important; as a rule of thumb, it usually takes around

a month in the web design world. Of course, this can vary wildly due to the specifics of any given project.

The pipeline review gives us a really clear idea of what's coming in. It also reminds us that not every conversation is going to lead to a win. But making sure that you have activity at all levels of the sales funnel is how to be in the best position to continually win business. It's also ideal for encouraging thinking about what you can do to convert clients from conversations to opportunities, to proposals, and finally, to wins.

As you can see, the pipeline review serves to make concrete what can otherwise seem abstract ideas. A periodic review of the areas where you're winning or losing work will also help you identify where you need to improve your pipeline management, and know when you're doing well.

The other big advantage to taking this view of your sales pipeline is that it emphasizes the importance of knowing where the conversation is at with any of your clients at any given time. If you find you're not having conversations, that's a big warning signal. If nobody's talking to you, and you're knee-deep in a job, you might be in a difficult position within weeks, if not days.



Don't Kid Yourself!

Take the pragmatist's view—rather than the optimist's—when you're reviewing your pipeline. That proposal you sent out six months ago is probably a no-go. Cull what you can from your pipeline so that you have a realistic take on the situation.

Maintain the conversation with your current clients

This is by far the easiest group of people to sell to. You know their contact details, what they've already purchased from you, and what they might be interested in buying now. And, since they're existing customers, they're far more likely to buy from you again—you've established a relationship with them. They know you, and that you're honest, and they know you sell a high-quality product. This knowledge removes one of the biggest barriers to making a sale: trust. Your existing clients trust you, and that will mean more sales.

Have a monthly status meeting with your current clients. Talk about the three best and three worst aspects of the project—from both your perspective and theirs—to help identify any other areas of the business where you could assist them. This promotes open discussion with the client that can help you improve your processes, and lets you identify who you need to speak to about new opportunities.

Remember: if you're not talking to clients, there will be no ongoing work from them.



CRM Software: Tracking Engagement

Many of the popular customer relationship management tools offer you the ability to log every contact you have with a client. Use this functionality—and have your staff use it—so that you can always see, at a glance, how your client relationships are looking.

Maintain the conversation with your previous clients

While many web design clients have ongoing needs, there are always those whose needs are more periodic. It may be a year before they have a new project for you. If you service these clients well, and keep the conversation open with them, you'll know before the project ends that they're unlikely to be ongoing clients for you.

So, when you finish a project with this kind of client, make sure that you have a clear understanding of whether they're happy with the outcomes; if, down the track, they're not calling you for more work, it may be because they were dissatisfied with your last job. In this case, a post-implementation review of the project is crucial, as is a client service interview some months after the project is finished with a staff member who wasn't on the project. In this interview, we ask how the job went, how the team performed, where we could have done better, and how likely they'd recommend us to others. If we receive a score that's less than eight out of ten for the last question, we know not to expect any referrals through this client. It's important at the end of the project to know where you stand, so make sure you're clear about their expectation of ongoing work.

At this point, you can also assess what's the best way to maintain contact with the client. Ask if they'd be interested in coming to events, networking occasions, and so on, and whether there are areas of interest in which you can keep them informed. This will help you set the expectation of ongoing contact, even if the client seems likely to be periodic. We often send articles or other information that we know will interest a client to ensure that they know we're thinking of them, even during the times when we're not working together.



Ideas Matter

It's easy to imagine that if your clients have a need, they'll come to you. But often, my clients remark that they appreciate *us* giving *them* ideas—through articles, white papers, and information that we send them, perhaps with a note about how it could be relevant to them. You might find an interesting clipping about what an organization in your client's industry in another country is doing, and you think that could be an interesting approach for them to consider. Tell them!

These kinds of opportunities provide the perfect reason to contact a past client in a way that adds value for them, whether they end up engaging you to do more work on that issue, or not. They also encourage the client to think, "These people come up with good ideas"—and that's exactly where you want to be as a service provider of web design. When the client sees an idea, they're on the phone to you: their trusted advisor.

Making Sales

We've talked about all the ways you can put yourself in the best possible position to make sales, but what about the tricky business of selling? We'll cover this in much more detail in Chapter 11, but let's talk here about making your first sales.

In a services business like web design, you should look at sales not as selling, but as enabling clients to buy. The way to do this is to understand their needs by asking the right questions, and then shaping the proposal and predicting a project outcome that lets the client feel comfortable in making the buying decision. You need to be able to:

1. anticipate where there's an opportunity for work
2. have a discussion about bringing that opportunity to fruition to help the client achieve their goals
3. give the client a proposal to which they can say "yes"

Recording sales is about building ongoing relationships, and if you have employees, they can also contribute to this effort. Make every team member part of the sales effort.

As we saw above, to make sales you'll need to maintain your relationships with existing clients. The team members who could help do that might be your most junior developer, or your CEO. Team members working on client premises are usually in a good position to spot opportunities; encourage them to talk about those possibilities with the client.

Everybody in my business is also involved in preparing proposals, since they all have to contribute to the project if we win it.

We believe this approach is crucial to the success of our business. Whenever we bring on new employees, we make sure they know that they'll be part of the sales process, too.

Your sales process needs to be continually honed, from a scattergun style to a more focused approach. The way to do that is to manage your pipeline as we discussed above. My top tips for making sales include the following.

Monitor your sales funnel

Remember: be a pragmatist, not an optimist.

Assess the likelihood of winning the proposal before you begin

When we receive a request for a proposal, we always have a conversation with the client about what the project is, and what the budget is, so that we know what we're dealing with before we start work. This helps us assess our compatibility, and saves us from a lot of time-wasting on proposals that are priced too high or too low, for clients who are ultimately unsuitable in the long run.

Don't fall into the tender trap!

Often, web businesses that are having limited success decide that the best way to land work is to respond to public tenders. My business's success rate on tenders where there's no existing relationship or knowledge of the project prior to the release of the tender is less than 3%. A one-in-33 chance of being awarded the tender isn't worth our time.

Pass on the silver medal trap

If you're continually asked to pitch by a prospect, and you keep losing the work, ask yourself why. It may be you, it may be them, but you should stop pitching work to an organization that continually knocks you back.

Avoid price checks

We ask prospective clients whether they have an existing provider, since many businesses may go out to tender or invite proposals simply to price check their preferred, or existing, service provider. These days, if we know a prospect simply wants a price check (which we find out by asking them directly), we simply ask them to tell us what the project involves, and what their current supplier has quoted. Then we tell them if we think the quote is feasible. This way, we do right by the contact without costing our business time and money. It's a win-win scenario.

Make a bullet-point proposal

If you can see a strong opportunity, but the client hasn't asked for a detailed proposal, put a plan together anyway. We usually prepare a short bullet-point proposal that outlines where we think the project might be headed. This at least starts the ball rolling, and gives us something to discuss with the client.

Send your proposals as drafts

We always send proposals as draft documents, and follow them up with a call to find out what the client would like to add or amend. This puts us on a good footing to move the proposal through the funnel more quickly, since it encourages ownership of the proposal by the client themselves. We find that the more involved the client is in the proposal, the more likely that we'll win the job.

Follow the three-cups-of-coffee rule

Experience has shown that if we've had three cups of coffee with a prospect and we seem to be going nowhere, we probably won't pursue the prospect any further. Usually, an opportunity—or a sense of one—emerges within three meetings; if it hasn't, it's unlikely to.

Speak to the decision-makers

Make sure you know who you need to speak to for a realistic idea of the proposal review and approval process.

Don't oversell, or come across as desperate for work

Selling isn't about high-pressure tactics; it's about building a relationship and gaining the confidence of a prospect who will then buy.

Don't die wondering

If, at the end of a meeting, you feel like everything's going well, and you can see an opportunity, offer to prepare a proposal—even a bullet-point version. Give yourself and the client a reason to persist with the discussion, so that you can continue to move them through the sales funnel to purchase. Refrain from walking away without a clear next step.

Example 4.4. The Perfect Salesperson

The perfect salesperson isn't some glib fast-talker vigorously self-promoting their way to the next million. Nor is it the statesman diplomatically negotiating the way to world peace. And it isn't McDonald's.

It's a guy called Mike.

Mike has a shop that sells bikes. It's called—you guessed it—Mike's Bikes. Mike's shop fronts onto a main road, in the middle of a small shopping strip. I met Mike when I was cycling late one summer afternoon. About ten miles from home, I had my first puncture. I had it fixed in a couple of minutes and continued on my way. I had just passed Mike's Bikes when I had a second puncture—what a bad day! As I'd already used my only spare tube, I had to stop and patch the hole.

So there I was, mending the tire tube in rapidly fading light, when out into the street walked the perfect salesperson.

Mike saw me as he walked out of his shop, and came over. “Hi,” he said. “Got a puncture? Do you live far away?” I told Mike I lived about ten miles away. “The glue will take ages to dry, and it's getting dark,” Mike replied. “You need it fixed straight away. I'll grab a new tube for you.”

He disappeared into his shop and quickly returned with a new inner tube. I told Mike I had no money with me. “No problem, just pay me the next time you come past,” he said. Mike pumped the tube up a little, put it onto the wheel rim, and offered some advice on the easiest way to get the tire onto the bicycle. “The tube's \$9.00, and there's no rush,” he said. “Ask for me; I'm Mike.”

I was putting the wheel back on a couple of minutes later when one of Mike's employees came out of the shop to go home. He stopped when he saw me. “If you need a hand with that, just take it inside to the boys—they'll help you,” he said. I said, “Thanks,” and continued to fix the bike. Soon, I was on my way home.

What I've described here is the perfect sale, something that, sadly, happens rarely. What did Mike do so well? Let's take a look at the process, step by step.

- First, Mike identified his target market. That was me in my cycling gear, mending my bike puncture.
- Mike initiated communication with me and completed a needs analysis: “Hi. Got a puncture? Do you live far away?”
- He restated the issues to highlight my problems: “That glue will take ages and it's getting dark. You need it fixed straight away.”
- Having seen a need, he offered a solution: “I'll grab a tube.”

- Mike then surpassed my expectations by pumping up the tire, offering advice, and telling me to just pay the next time I came past. The offer for assistance from his departing employee shows that Mike has instilled the same service culture into his young team. Again, this exceeds the expectations of most customers.
- Mike made a sale. I dropped the money off to him the next morning, and I return to Mike's Bikes whenever I need anything bike-related. I also recommend the shop to local cyclists I know.

This is the anatomy of a perfect sale. Identify your target market. Approach the market. Initiate communication with your market. Analyze their needs. Offer a solution to meet these needs. Ask the market to buy. Exceed the expectations of the market—and voilà, the perfect sale!

Admittedly it wasn't a lot of money to lose, but Mike took a risk in giving a perfect stranger the tire on a promise of payment. That was one of the best aspects of the sale—its integrity. The decent, trusting, and respectful way Mike helped me out meant that I couldn't wait to return and give him the nine dollars. It also means I wouldn't dream of buying any bike product from anyone else, because Mike has shown that he's trustworthy and smart—and that's what every salesperson should be.



In Your Experience ...

We come into contact with sales and service processes every day. Whenever you have a good experience—perhaps you sit down in your favorite café, and two minutes later, your preferred coffee appears without you even having to order—or a bad one, consider them. Step back and think about the principles that made that experience what it was. Sales is about human nature; the more you understand what makes you happy as a customer, the better you'll be at pleasing your own clients.

What Not to Do in Business

You've started your own business and you're feeling great. You've tossed off the shackles of employment and taken the big step into the wonderful, wild world of own-your-own-business. You're free, free, free! Now you can take time off during the day to visit friends, enjoy a coffee or two at your favorite café, or maybe take a dip at your local pool ...

Wrong!

Don't Relax

Now is not the time to take it easy and relax. Now you need to work harder than ever.

Yes, there will be distractions. Friends will call in to see you now that you're working from home. Your partner will want to have a coffee and chat: "Come on, take the rest of the afternoon off." If you're working from home, your mother, father, siblings, children, and family cat will all be vying for your attention. It's important to educate your loved ones that you are at the office—even when you're sitting in the spare room at the computer.

It's vital that you have the time and space to work and be productive. As tempting as it might be to duck out and enjoy a beer, it's now that you need to put your head down and get cracking. If you're to avoid becoming one of the businesses that fail, you have to knuckle down and do the work.

Don't Spend Unnecessarily

As we saw in Chapter 2, frugality is crucial. The Web provides more and more opportunities to be thrifty; for instance, with the advent of Skype and VOIP operators, we've managed to cut our phone bill by 50% over the past year. That runs to well over \$1,000 per annum, a figure that sits much better in our business account than that of the phone company shareholders'.

Fancy offices are an unnecessary luxury at this stage. What you need are the basic tools of management to achieve the job at hand. You must understand where your weaknesses are and address them, but you should always take an approach that's tight on costs.

Don't Neglect to Measure Your Business's Financial Health

You need to closely manage the financial health of your business. That involves monitoring whether you're making a profit or loss across the whole of the business, but also looking at the business on the job level: are each of your clients profitable? It also involves measuring your return on investment—in activities, clients, tools, and staff.

We'll look at some of the key financial metrics you'll use to assess your business's health in detail in Chapter 14.



Measure and Review Your Financial Indicators

Understanding cash flow, profit and loss, return on investment, and other key financial concepts is a prerequisite to business success. These concepts, when applied in practice to your business, will give you clear indicators of the success of your efforts, and alert you when something's going wrong. Make the effort to understand these concepts before you go into business, and you'll have a much better chance of success than if you rely on others to tell if key financial indicators start looking problematic.

Don't Just Work Hard—Work Hard and Smart

If you're starting your own business, you'll need to work hard—but you'll also need to work *smart*.

We once consulted to a business that, we discovered, was facing insolvency. When I told the CEO, he was horrified! Then he said to me, “Well, you'll be pleased to hear that I've spent the last week doing the cash reconciliation.” I was stunned. The CEO, who should have been out there saving his business, had spent an entire week doing what would have taken an accountant about an hour!

By working smart, I mean play to your strengths, and have experts help in the areas where you're less proficient.

Be sure to measure your efforts. If you spend \$1,000 per month on newspaper advertising, quantify the benefit you received from it. And if it fails to produce a substantial benefit, stop doing it.

I've often seen experienced businesspeople fail in this area. They're just so busy that they lack the time or expertise to measure the marketing they implement. If their business is going well, they just keep doing what they're doing—even though a huge proportion of it may be a complete waste of money.

Do everything you can, and use every tool available, to make your job easier.

Don't Let Rejection Get to You

You're up for rejection, and rejection hurts. Sometimes it hurts a lot—but don't be disheartened.

Perhaps you've met with a large prospect, and they've indicated that they really want to work with you. You spend days writing a killer proposal, and more time presenting that to the company. Then the contact, who said he was the decision-maker, tells you that the

woman who came in for the last five minutes of your pitch was the CEO—and *she's* rejected your proposal.

Having prospects say no to you is just part of the game. We learn from every experience. Okay, so our proposal was rejected by the CEO. Next time, we'll make sure that we find out exactly who the decision-makers are on the client side, and ensure we have a 15-minute meeting with them to go through the proposal and answer any questions they have. Sometimes, as in this case, the lesson can be harsh, but you'll be a better businessperson because of it—and you will make that sale next time. Keep in contact with the prospect who rejected your work, but for now, learn from your experience, and move on to the next potential sale without losing any more sleep.

Avoid blaming the contact for rejecting your proposal. Step back from the situation, own the rejection, and identify what you could have done to win the job. Talk to the prospect if you can: they'll give you insight into the reasons for the rejection that you'd never know otherwise.

Don't Delay Invoicing

Your cash flow is critical, so don't be squeamish about invoicing. You're in business, and cash flow is necessary to your survival. You need that cash in your account as soon as possible. Consider building a website in the same way you would build a house; no one builds an entire house, then sends off their invoice. Progressive payments are more than just standard business practice—they give you vital cash flow to operate your business.

Agree on a clear progress payment schedule with the client before you start the job. Confirm with the client their responsibilities at the same time, so that everyone knows what has to take place in order for progress payments to be made, and all parties' expectations are clear.

My company's invoicing works like this: we send a seven-day final invoice on the day we complete a job. Often we visit the client to thank them for their business, and hand the invoice over then. If the account remains unpaid on the eighth day, the client is sent a reminder of the overdue account. On the eleventh day, we telephone them to ensure they received the invoice. The client usually commits to a date for payment at this point, now that you've put them on the spot. On the fifteenth day—or the day after they promised to pay—they receive another letter requesting payment.

Keep communication clear and friendly with clients to avoid matters turning unpleasant; as long as you're perfectly clear with the client, there should be no problem. Here's an

actual email we sent a client recently when they failed to meet a progress payment deadline:

Example 4.5. Payment Reminder Email

Hello Jonathon,

Hope all is well. The site is progressing beautifully, and we're thrilled with how it has all come together.

An issue that will hinder development is slow payment from your end. We don't want to develop this site on spec of the money flowing in once the site is live. Our agreement was for another payment to be made one-and-a-half weeks after the first one, and then the third payment (which then completes the deposit amount) one-and-a-half weeks after that.

Please understand that we'll be unable to provide further services until payment is made.

As you know, we've allocated significant resources to complete what we have to this point, and we're not willing to carry the cost of the site development.

I know that you are appreciative and understanding of the work completed so far, but we need to be paid as soon as possible as agreed; otherwise, we'll need to reassign our focus to other clients to ensure our continuing cash flow.

If you have any questions, please give me a call.

Kind regards

Within three minutes, the client responded to say that the progress payment would be made the next day. Avoid making the mistake of delaying your invoicing; believe me when I say that clients respect you more if you're comfortable asking for the money up-front.

Don't Try to Do Everything Yourself

As a small business, you're going to start with a range of capabilities, and, with luck, over time they'll grow in line with your overall strategic direction. But at the start you may lack access to all the skills you need in-house.

Look to find relationships that have strong reciprocity. If you're working with a hosting company, for example, make sure they can agree to send you web design clients who come their way. This approach can help both businesses; multiply it over a number of business relationships, and you have a powerful referral network at your fingertips.

The amount of time it can take to learn a new skill may far outweigh the benefit it provides, particularly in the early days, when you need every advantage you can get. Spend your money when it needs to be spent. Identify the important skills required to build your business, and take steps to find the right person to help you out. In researching potential partners, look for a person you like, who has a good business model, strong references, and a client base that's compatible with your own. We'll look at this topic more thoroughly in Chapter 21, when we talk about taking on staff.

Don't Ever Stop Looking for Opportunities

Opportunities for new projects are everywhere. Don't ever stop seeking new ones.

There will be times when you're brought in on a project to “fill in the gaps”—performing a small piece of work in conjunction with another agency that might lack the capacity to do the whole job alone. That work can then enable you to perceive other opportunities within the business that you may be able to help with. Working in team situations with others servicing a given client is a great position to be in. Make sure you have a seat at the table with the clients when the decisions are being made.

In a similar way, **project rescues**—where your business steps in to save a project that's come off the rails or is headed for disaster—can be very lucrative for astute business owners. Once you've saved the day for an organization, you automatically shoot up to “trusted advisor” status. The next time your appreciative client has a related problem, they'll jump straight on the phone to you. There's nothing like a good crisis to win you a new client.

Secrets of Success

I work with quite a few people who are just starting out in their business-owning careers, and I'm often asked the question: what's the secret to success? Here is what I consider to be the secrets of business success.

Get in harm's way

See what's going on out there, get into the game, and talk to your clients. Seek potential partners, look for opportunities where a project's in trouble and you can solve the

problem, and revise your client selection process with what you learn over time. You have to be in it to win it.

Have a passion for what you do

Unless you're fully committed and love what you do, you simply won't be successful. Only hire people who are as passionate as you, since they'll need to impress your clients, too.

Foster great communication skills

Communicating your vision, enthusiasm, and standards is vital. Learn to be a powerful and motivating speaker.

Build a great team

You may work in an industry where you can do a lot yourself, but it's impossible to do it all. Consider your lawyer, accountant—even your bank manager—as part of your team, as well as the staff you have working on client projects every day. Use the best skills you can find, and the benefits will be substantial. Remember, too, that people growth precedes business growth. As you gather a great team, make sure you provide them with real opportunities for development that reflect their own passions and interests.

Possess absolute self-belief

If you don't think you can do it, you're right!

When clients reject our pitch, we genuinely think to ourselves, "This person has made the wrong decision!" We then review why we failed to get our message across effectively, and fix that problem for the next pitch. You have to believe in yourself to the same degree. If you don't, your clients will see it, and they won't feel confident working with you.

Have self-belief, but avoid being overconfident. Remember the advice of the Clint Eastwood character, "Dirty Harry" Callahan: "A man's got to know his limitations." Be honest about your weaknesses, and fill in the skills or roles you're unable to manage yourself. Stretching yourself can be good, but exposing yourself to undue risk is unwise.

Now, to the final and most important secret to success!

Do something

People are successful because they act on an idea. They have vision, self-belief, energy—and a burning ambition to succeed. They also avoid procrastination: for these people, doing nothing is not an option. Faced with a challenge, they might seek the

advice of a mentor, speak to an expert in their team, or talk to their bank manager. But they act, knowing that putting it off will not solve the issue.

The only difference between us and most of our competitors is that we act immediately. If we're reading *TechCrunch* and we see an interesting write-up of a company, we'll call them to find out what activities they're undertaking, and how we might be able to work together. If we really like something, we reach out and take the next step to be involved with it.

Summary

In this chapter, I've listed the ten actions you should take right now to get your web design business up and running! You now have an idea of what you should do today, with a view to tomorrow.

Fostering long-term business relationships with underpinning clients, and developing a strong client network are paramount to your staying in business. Start a client database, use the tips provided here to boost sales, and your business will still be afloat when you wake up tomorrow!

In the next chapter, we deal with the nitty-gritty of winning your first clients. Where will you find them and what will you say? How will you convince them to buy and what will you charge? Let's answer those questions now.

Chapter 5

Win Your First Client

Just how do you win that first client?

In this chapter, we'll discuss which tactics really work when it comes to turning prospects into clients, and why. We'll also look at how you can ensure that your business stands out from the crowd.

First, though, let's find out how you can win new clients every time you go in to bat.

Networking for Business

The first home truth concerning the web industry is that the vast majority of business is generated through word-of-mouth referrals.

Think about the suppliers you use. Many you would utilize for convenience. A few would be due to special considerations, such as their being the only firm with the specialist skills, or because they're a client already, or because you want them to become a client or referrer later. The rest, because a friend or relative referred you to them. In much the same way, product reviews are incredibly powerful on websites, acting as a type of referral. According to research, more than 70% of online shoppers actively seek out product reviews.¹

¹ <http://www.techcrunch.com/2007/04/09/product-reviews-everyone-wants-a-piece-of-the-market-but-power-reviews-may-get-it/>

The one point to remember about referrals is this: people can only send you business if they know what you do.

There's no room for shyness. You're in business, and you have to maximize every single opportunity to win more business. Start talking. Tell everyone what you do. Even before you hang your shingle out, write an email to every single person you know to inform them about your business. Ask them to give you work, and request that they refer new business to you—and not just once, either; remind them every six months or so.

You need to be out and about in your market. Have you written and spoken to every internet service provider in your part of town? Offer your web design and development services to their customers. Have you spoken to every graphic artist? They're a great source of business—most lack the specialized skills required for web work, and they're always looking for developers to refer their clients to. Market to them on an ongoing basis.

Those of you who are hitting the prospecting trail for the first time will need to let people know you're in business. Don't be afraid to mention your new business to everyone you meet, and then, when you find yourself in front of an interested, receptive prospect, you can start your needs analysis. We'll cover that shortly.



No Mate's Rates

Avoid the temptation to give your best friend's dad a reduced rate. You're not here to compete on price; that approach is a fast-track to failure. You're here to make a dollar and last the distance.

Sure, tell your friend's dad you'll give him a special deal—after all, you'll give him very special service—but don't cut the price down so that you're making a minimal wage, or, worse still, no profit at all. Say something along the lines of, “Well, Mr. Smith, I can do the website for my absolute bottom rate because you're Billy's dad. I'm unable to do it for any less than \$5,000, because I simply refuse to cut corners and compromise on the quality of the site. You do want a top-quality site, don't you, Mr. Smith?”

You want work, but not work that's unprofitable.

Finding Prospects: What Works, and Why

As you're out there, beating your drum at every networking opportunity you attend and talking to prospects whenever you happen across them, you'll need to know what works. What techniques can you use to improve your chances of finding a prospect, one who's interested in what you can offer?

Here are my favorites: treat every person you meet as a potential client, and treat people as you would like to be treated. But there's one clarifying question you need to ask whenever you meet anyone who has the remotest chance of being a prospect.

Asking Yourself the Crucial Question

Ask yourself this question every time you make a pitch to a prospect: *why should the prospect do business with me?* Answer that, and you're well on the way to success.

Then, ask yourself how you'd like to be treated if you were the prospect. People buy based on emotions. This is why it's vital to treat people well—people who like you are far more inclined to do business with you than those who don't.

Staying Benefit-focused

Prospects want to know what you're going to do for them, and how much money you're going to make them, so focus on providing the best solution to make money for the client. That's what every prospect wants to hear.

Using Testimonials and PR

As we've discussed, the use of testimonials and case studies is a highly effective way to add credibility to your prospecting campaign. A potential client is far more likely to believe a positive, independent third-party review than what you might say about your own business.

Once a project's completed, always garner a testimonial from your happy client. Put it on your blog, use it in articles and media releases—do everything you can to get it out there and in front of other prospects. We'll look further at the advantages offered by PR in Chapter 9.

Bear in mind that there's always a perceived risk when purchasing. By using testimonials, case studies, and guarantees, you reduce the perceived sense of risk in dealing with you, and you'll make more sales. When you purchased this kit, you may have noticed that SitePoint uses testimonials and guarantees to demonstrate the kit's quality and entice you to buy.

Focusing on Referred Prospects

The research we've done to establish why prospects contact us has proven that, in many cases, it's through a third-party referral. Referrals are your best bet for new work.

Referred prospects work so well because they:

- remove the need to spend precious dollars on expensive advertising campaigns
- take less time, on average, to become clients
- are much more likely to become clients than are “cold” prospects
- interestingly, are much quicker to pay their bill in our experience (possibly due to the relationship we have with the contact who referred them to us)

Social media makes the task of building referral networks extremely efficient and effective. The power of social networks and other web-based tools like your company blog to build your reputation with potential referees can't be overstated. Of course, other methods work well too: we partner with a local technology-focused university to make sure we're across the creative ideas that up-and-coming graduates are working on. That way we can get to know the graduates—and build a reputation with them—before they head out to make their marks on the world.

Example 5.1. The Best Personal Referral

Recently, I gave a presentation to business executives on the impact of online retail on the future of the physical stores. Later that afternoon, I received a call from a shopping mall tycoon who'd been in the audience. “I liked what you said,” he told me. “Not many people get me excited, but you did.” He told me he was also the chairman of a sporting federation, and he invited me to come and speak to the federation CEO.

When I met with the CEO and some managers, they explained that they already had a strategy. However, my contact had told them that, regardless, they needed me to work with them, and arranged a meeting with all the CEOs in the league. Having seen my presentation, my contact had become an incredibly strong advocate for me and my business; once he'd recommended me, he wouldn't take “no” for an answer from his colleagues. That's the kind of respect you want to earn from your contacts. When they refer you with that degree of passion, people just have to listen.

Referrals can come purely on the basis of your reputation. That's why it's so important to tie together the components of social media, your website, public speaking, personal and professional relationships, and customer testimonials (once you have them) to create the strongest possible reputation for yourself that you can.

Give Freely of Your Skills

Be involved with your industry, local community, and areas of interest. Engage with the world around you, and actively seek ways in which you can make a contribution that will

help others. It may sound airy-fairy, but this is one of the best ways we know to build your reputation as a generous, caring professional who has a natural interest in, and aptitude for, their field. And that's exactly the kind of people who others want to do business with.

Example 5.2. Helping Out Helps

A few years ago, Australia experienced its worst bushfires in over a decade, and two of my family members lost everything they owned. In their town, many people died, and when we went up to help them a couple of days later, we found that the town was still burning. The army was in charge of the situation, and while they would let people leave the town, they wouldn't let them back in. Some people had formed a small action group, and were seeking out others to help. So I set up a blog about what was going on in the area, as well as a Twitter account, so that interested family and friends could access information about the incident and its effect locally.

Immediately, the authorities started paying attention and opened up access to the town. We took in laptops with mobile web access so that people on the ground could communicate with the outside world and find out what was going on, apply for grants and assistance, and so on. We set up a relief website, received cash to help the fire victims, and built a temporary village for the townspeople in five weeks. It was a great example of how people can use the Web in times of hardship.

A few months later, my team was named the first non-North American organization to win the Forrester Groundswell Award,² which recognized our work with social media in relation to the bushfires. This gave us a huge amount of industry exposure, and has been an amazing boost to our reputation within our referral networks. Even organizations who have no need for help with projects right now are intrigued by the story and want to talk to us to find out more. Giving freely of your knowledge and capabilities really does make a difference to your personal brand, and your credibility and reputation within the industry.

Keeping Your Eyes and Ears Open

A friend once told me that being a good lead generator is like being a policeman. You're always on duty, even after work hours. So, always be on the lookout for that next potential lead. For instance:

² <http://www.forrestergroundswell.com/>

- If new office blocks are being built next door, contact all new tenants as they move in.
- Check the local newspaper to find out who's doing what, when, and where. You'll almost certainly find a business or two that are starting up or expanding—they're more potential clients.
- Consider the possibility of working for government departments. We've just initiated contact with our local government's development section and offered our services to its clients, because it can be a great opportunity for ongoing work.
- Offer yourself as a public speaker to interest groups, business groups, schools, and anyone else who might benefit from learning from you, the great web expert. If we had to start a business tomorrow with just one marketing tactic, I'd give as many speeches as possible to interested parties.

Never stop looking for new opportunities—whether in your own neighborhood or further afield. Keep those ears and eyes open.

The Needs Analysis

You've identified potential prospects, and met and talked to them. They've seen how professional you are, and that you have a strong focus on the solution that can help their business. You've even arranged a meeting to come back and discuss the details of the job they want done.

But what exactly will you discuss in that meeting? This stage—the **needs analysis**—is critical to your understanding of the job. The success of your pitch depends on the depth of information you obtain at this stage, so it's important to ask the right questions. The questions we ask during our needs analysis are designed to extract as much relevant information from clients as possible, so that we can better establish a solution that will meet their requirements.

We've spent years refining a list of questions that cover everything we believe we need to know in order to put together a winning pitch. To help you do the same, here's an example of the needs analysis questionnaire we use:

Example 5.3. Needs Analysis Questionnaire

Situation analysis

- What is your business vision and strategy?
- Who are your competitors?
- What is the one thing that differentiates you from the competition?
- What are the influences involved in deciding to buy your products or services?
- What are your customer demographics?
- How is the business marketed?
- What goals are you trying to achieve with this project?
- Who are you trying to achieve them with?

Site objectives

What are the objectives of your site? Is your site intended to:

- increase sales
- generate leads
- provide easily accessible information
- survey customers
- demonstrate your product/expertise
- recruit new staff

Proposed site

- How do you envisage the website achieving your objectives?
- How will you market the site?
- How will you maintain an ongoing relationship with your site visitors?
- Do you want to have the ability to transact on the site?

Competitor analysis

- Who are your competitors—both online and offline?
- What components of their sites do you like or dislike?
- Who would be the best business in your industry globally?

Site review

This section allows us to consider how we could construct a site that meets the objectives the client has outlined, and addresses maintenance of the site over time: will we handle the maintenance, or will it fall to the client, or some other third party?

Site specifications

Depending on the site's target market, we'll ask questions in three key areas:

1. Who's the target user or users?
2. What's the task they're trying to achieve on the site?
3. What's the nature of the environment in which they're accessing the site?

By discussing these considerations, we can apply our knowledge to work up a clear technical specification for the site we're developing, including basics like browser compatibility, bandwidth levels, and maximum download sizes. We also address user-centered design at this stage, and explore the ways in which it will be integrated into the actual design and development processes.

Site marketing and maintenance

- Do you have any marketing strategies in mind?
- Will you need the site optimized for search engines?
- Which search engines will you submit the site to?
- Will you be buying banner ads on other sites?
- Do you have the software required?
- How will you upload the site to the web host?
- Who will respond to inquiries?
- What website-use statistics will you require?

Again, these questions educate prospects on the endless possibilities for the marketing of the site, and help position us further as experts. It also makes the prospect aware that a website needs to be regularly maintained.

Budget

It took me a while to summon the courage to ask the client, "What's your budget?" straight out, but it's the best question we've ever asked.

The reason for the needs analysis is to ensure that we have all the information we require to provide the best possible solution for the prospect. The needs analysis also qualifies the prospect, to an extent—the question of "What's your budget?" really sorts the qualified buyer from the non-qualified buyer.

We put this question the following way: "We want to give you the best solution within your budget. We don't want to provide a proposal for a site that is way above your

budget—it would waste your time and ours—so we need to know what your budget is for the website development.”

Without a solid idea of their budget, you really will struggle with your proposal. You want to avoid spending ten hours working on a proposal that’s a cost-effective, value-for-money solution, only to find out that the prospect’s budget is \$500.

If the client’s budget is below our minimum, we start asking questions. We start demonstrating the value of everything we do. We quantify exactly what we do and how we do it. We demonstrate what we have done for other clients, and how this might apply to this particular prospect.

I’ve always found budget constraints to be the easiest objection to overcome. Budget is rarely a question of price; it’s usually a question of value. If you can demonstrate the extra value you provide, you often find the client’s budget will expand to accommodate the higher price you might charge. We often provide clients with two, sometimes three, options for the type of site they’d like developed. In every instance, they’ve chosen the best and most expensive option.

What if the prospect really does have a small budget, way below your minimum charge? First of all, avoid giving the prospect anything for free. This only devalues what you’re doing and provides them with a strong position from which to negotiate.

What we do is break our proposal into pieces to show the value it represents, and demonstrate how we can start slowly and work towards their goal in an orderly, calculated manner. The prospect is sold on the good sense it makes to start slowly, and is pleased to move ahead with subsequent phases of the project when the phase one site performs as we promised it would. If we can show the prospect the value of a decent site, and then break it down into affordable pieces, they’ll almost always want to go ahead. We’ve created that all-important sense of impending loss if the prospect doesn’t go ahead with the project, and this really is a powerful buying motivator.

Of course, if the client’s budget is unrealistically low with no possibility of ongoing work, then don’t hesitate to say that you feel you’re unable to provide them with what they are looking for. My business completes end-to-end projects, and there are always clients who lack the budget for that sort of work. If we can’t do the job to the prospect’s budget, or we don’t feel their budget will suit the way we work, we’ll always try to refer them to another organization that will be able to help out.

Conducting the Needs Analysis

Allow plenty of time to conduct the needs analysis, and go at your prospect's pace. Don't whisk from question to question—give them time.

Often, once they start talking—and you start questioning—the prospects will realize that they have requirements or expectations for the project that they hadn't consciously thought about before. That's good, because then they start to see that you're the expert, and they perceive that your very thorough analysis is providing them with added value. If you skip from one question to the next the moment they stop talking, you could miss valuable insights into the project—insights that will see your proposal better meet their needs when it comes to the pitch.

Once you've walked the prospects through the needs analysis, go back and make sure you've covered everything. Seek clarification on particular points if necessary, and be sure to ask the prospects if there's anything they'd like to add. You might also like to determine a time frame for the delivery of the pitch before you leave the office.

Then, it's back to base to put together your proposal.

Finding the Hidden Agenda

Before you start work on your proposal, you need to understand the clients' motivations—their reasons for buying.

Ask yourself that golden question: why should prospects do business with you? During the needs analysis, you listened to your prospects and deciphered their needs. That's critical. Now you need to decide why they should do business with you.

Your prospects are in business. They want to make money. You need to demonstrate to them exactly how they'll make money. Quantify how much money they can make if they decide to use you. An alternative answer to the question is that prospects should do business with you because you provide the solution to their problem. That answer's also correct, but very often the problem is that they aren't making enough money.

Of course, a business can make more money by saving money. And one of the great advantages of the Web is that moving processes online can save a business significantly. So when you're talking about making money, remember to also cover the savings that your proposal will deliver to the client's business.

The prospect may do business with you for a variety of other reasons. You might find that you're dealing with the marketing manager of a big company for your next web development pitch. The purchasing motivation for this prospect might be to look as competent as possible in front of their bosses. The reason they'll do business with you is because you've assessed the needs, provided plenty of reassurance of quality, documented everything perfectly, provided a great pitch, and generally made them feel safe and secure with your abilities. The prospect will feel confident that your expertise will make them look good in front of any superiors and will, accordingly, choose you for the job.

You need to make it as easy as possible for your client to deal with you. Prospects can live without hassle; they want a pain-free experience. They want you to take them by the hand and make everything as easy as can be. Your client simply wants a solution. They may care less about how you give them that solution, than they do about the likelihood that it's risk- and hassle-free.

Not making things easy for your client can cost you sales. One of our computers decided to throw a tantrum and refused to work. We called a repair business and asked if the machine could be fixed as a matter of urgency, as we needed it back as quickly as possible. The repair guy said, "No, we're very busy. It could take a day to get to it."

If he were on the ball, he would have said, "Certainly. We charge a \$55 surcharge for putting your computer at the front of the line and reviewing it immediately. We can organize for it to be collected by one of our technicians right now. The pickup fee is \$45. Would you like us to arrange that?" Now, that's taking the pain out of my life, and the repair guy is receiving the sale at a premium price. What would we have said if that offer were made? He'll never know, but I bet it would have been a big "yes." Time is money, and \$100 would have been well worth paying to sort my computer problem out quickly.

Convenience is a huge consideration in purchasing just about any product. Price does matter, but not as much as is generally assumed. Almost everyone will do their grocery shopping at the nearest supermarket. Are there better prices elsewhere? Of course there are, but the convenience far outweighs the cost benefit of driving across town to save what most perceive as a minimal expense.

Although a web designer can easily design a site for a client on the other side of the world, the vast majority of your work in web development will come from those within a 50-mile (or 80-kilometer) radius of where you live. That closeness provides security and reduces the sense of perceived risk. When prospects in your area give you a tight time frame for completing the work, you're almost always assured of winning the job. Why? Because it's

convenient. They have no time to brief another developer; they need the job done now. Price is generally a minor consideration.

Making the Pitch

Preparation for your pitch is important. You need to know who you're talking to, what you'll cover, and anticipate any responses, questions, or comments your audience may have. But in preparing and delivering your pitch, you'll do best if you bring to bear all the experience you've had over the course of your career. Use examples of past projects, clients, and experience to anticipate and address your prospect's needs in the pitch.

The sales pitch itself almost always takes an hour. We do tweak a few things here and there, but this is the basic process we go through:

Preparing

The preparation starts from the minute you make contact with the prospect. The tailored sales pitch should be made only after a thorough analysis of the prospect and their needs. Do your own external research on the prospect's website, on Twitter (including their customers' comments about them), and in the press. Call their call center or visit one of their stores. Speak to the prospects themselves: identify the exact requirements, and ask lots and lots of questions. Just keep asking—they'll be amazed by your thoroughness.



Do You *Really* Want This Job?

At this point, it's good to ask yourself this question: if you're unsuccessful at winning this pitch, will it hurt?

If losing the pitch won't disappoint you, avoid wasting time putting a pitch together: you don't really want this job. Losing should hurt. If you don't feel that the project is a great opportunity that you'd be extremely sorry to lose, this isn't the job for you. Dedicate your time to pitching for other work that you feel passionate about, and would really love to win.

Practicing your pitch

Take the time to practice your pitch, hone your delivery, and prepare competent answers to any possible questions. Make sure that the team members who will help you deliver the pitch practice their contributions with you.

Selling in twos

You learn from every pitch that you make. It's important to assess your performance in a pitch situation, so in my business, we abide by the motto: Always sell in twos. If there's a pitch to deliver, one of us can watch the responses and body language of the prospects while the other is talking. This way, we can quickly identify what turns the prospects on, what they dislike, what interests them, and what aspects of the pitch really helped get them over the line to purchase.



Leave the Bag Carriers Behind

Don't take anyone to the pitch who has no role at that pitch—make sure every person you bring has a contribution to make. We like to take team members who will work on the job if we win it. That way, when they're answering client questions, they can speak with authority and responsibility about how they'll handle the project—and their commitment and enthusiasm for the job comes across loud and clear.

Following the pitch, we can debrief to identify the good aspects of our delivery, as well as areas for improvement. We can use this information in future discussions with the prospect; for example, if we've identified in the debrief that they were uncertain on a particular point of the pitch, we'll call them to offer more information and clarity. This philosophy also works to improve the pitches we make to other clients, as we hone our approach over time.

Choosing where and when to make the pitch

If you possibly can, try to hold the pitch meeting on your own premises. As soon as we had offices, our conversion rate went up. If we do make the pitch in our office, once it's finished, we like to walk the prospect around to meet some of the team members who would be working on their project. When we introduce each of these colleagues, we ask them to tell the prospect what they're working on. They all know to explain their work in practical, business-focused terms (without divulging any confidential information) rather than abstract technical language, and to name the client they're completing the work for. This exposure to the behind-the-scenes aspects of our operation encourages the prospect to feel confident, excited, and inspired about working with us, and also helps cement the perception that we know what we're doing.

The pitch can easily be made at the prospect's place of business, or a neutral place—over breakfast or lunch always works well. You might have to tweak what you show and tell, but preparation means you'll give an excellent pitch anyway.

Also consider when you'll make the pitch. My favorite time to pitch is on a Friday afternoon. Everyone's relaxed—they're already winding down to the weekend—and this can make it easier to establish a natural rapport, adding strong support to your pitch.

Ensuring nothing has changed

The solution you'll be proposing is based on the issues you've already discussed with the prospect. By asking if anything has changed, you indicate to the client that the pitch has been perfectly tailored to their needs. It's a good idea to ask this simple question at the start of the pitching process. All you need to say is along the lines of, "So, Alice, before we start our pitch, we wanted to make sure that your requirements for the project haven't changed since the last time we spoke to you. Have your needs altered since we last met?"

Following an agenda

Every meeting should have an agenda, so make sure you have a clear one for the pitch meeting. It's a very useful tool that can remind you of the sequence of your pitch, and that demonstrates your professionalism. The client might set the agenda, so make sure you know what they expect of you in the meeting, and how strict they are about the time frames.

Stating the benefits of your proposal

Instead of just saying that your design will work well, prove it with some relevant data, and show the prospect the benefits of that design in terms of their business's strategic goals. If their goal is to build the strongest brand in their chosen market space, explain how your proposal supports their branding goal. And always present the proposal's benefits in the client's language.



Speak in My Language

We technology and IT geeks have our own language, one that's usually foreign to the client. When you're pitching for work, you must take the time to research and understand the prospect's organizational language, reading blogs, collateral, annual reports, and so on to identify the kinds of words they use. Then employ that language when you speak to them—especially during your pitch. For example, if the organization has a "strategic vision," don't call it their "mission statement." Use the same words your client uses to establish an automatic sense of understanding with them.

Quantify the benefits that you provide the client. This is a key aspect of your pitch. For example, “Using our expert copywriting skills, it has been our experience that sales will increase by approximately 40%, should we redevelop the site.”

What if you lack the previous client experience to hold up as a shining example? Quote research and studies that are reported in the media and online, and use them to quantify the likely benefits of the solution to your client.

Guess what prospects do once you start to quantify the benefits of having you work with them? They start mentally spending the extra money the website will make them. Then they start to convince themselves that you’re the right person for the job, and say “Yes” to your proposal almost every time!

Demonstrating why and how you’re different from the competition

Don’t be afraid of your competition. You should love them for a variety of reasons, not the least being that they will provide you with some terrific competitive advantages.

Probably our biggest competitive advantage when we pitch for a site is the fact that we work on a strategic level, and we can speak to our clients on their own terms. As such, we see ourselves as “order makers” rather than “order takers”—we can help our clients to identify goals, shape a complete solution to those needs, implement it successfully, and maintain and develop it over time. And we can explain very clearly how our solution will meet their objectives. Very few of our competitors have the experience and expertise to compete on these terms.

Your advantage might be the professional networks and relationships you’ve formed and the expertise they put at your fingertips, or the expertise you have in a particular field. If you can say something along the lines of, “Yes, we do differ quite a bit from our competition. The main ways are this, this, and this,” the prospect will feel some reassurance in selecting you. Having this point of difference also moves the proposal away from being a direct comparison about cost and toward a comparison based on value. And if you are proposing a premium price, this is exactly what you want.

Showing something

We always have something to show the client during the pitch, whether it’s a search engine analysis sheet, a graph of another client’s statistics after implementing a certain marketing technique, or simply a testimonial. People like to buy what looks good, so if you have any wild success stories, share them.



Stories Sell

Every example of your past work and experience is an opportunity to tell a story. People love stories; we learn through stories, and we respond emotionally—as well as rationally—to stories. Telling a story allows your clients to imagine themselves working with you. It enables them to put themselves in the shoes of past clients you've already helped, and gain a sense of the success they stand to have by working with you.

Presenting those past projects is a really powerful way to reinforce your competency and capabilities, and reassures the prospect that if they work with you, they'll be in very experienced hands. Of course, respect your past and existing clients' needs for confidentiality, and avoid divulging any information that they wouldn't want to have in the public space. As well as being unethical, your prospect will likely start to wonder if, once they become your client, you'll be sharing *their* corporate secrets in future pitches.

In addition, we always leave something with them—such as a thorough, detailed, and beautifully presented proposal document. See an example proposal in the file titled **Web Development Proposal** on this kit's CD. This provides tangibility and instills a sense of ownership of the proposal in the prospect. These are both very positive and important elements that contribute to the success of our pitches.

Anticipating questions and objections

It's important to realize that the prospect will have questions—and usually some tricky ones. I actually like questions, because they indicate interest, perhaps even a strong buying signal. As we saw above, you should spend some of your preparation time anticipating questions and objections, and preparing bullet-proof responses to them—including stories from your past experience.

Think about the discussions you've already had with the client, and identify the topics they talk about most often. These will give you an idea of the client's key areas of concern, and what is most important to them. Also think about the common questions that other clients in their position or industry have had, and prepare answers to those.

Master concrete answers to likely objections by writing out the key arguments you think your client might use, and practicing your responses. We'll cover this process in some detail in Chapter 11, but here's a quick example. We currently have a client who is the general manager of a large company. She's worked her way to the top of the business, having started as the finance manager. Every one of her objections is re-

lated to price. So whenever we prepare a pitch for this client, we not only justify every single expense, but we also prepare the price-related objections and practice responses to these. We also try to incorporate any major objections into the pitch and address them before they're raised. Taking into account the prospect's background can help you to establish what direction the questions will take—and what focus your answers should have.



The Left-field Question

No matter how prepared you are, there will always be a chance that as you're delivering a pitch, your prospect will ask a question you hadn't anticipated—straight out of left field. These types of questions indicate that the prospect is looking at the world from a perspective different from yours. Rather than just brushing it off, explore it. Ask them for more: "What do you mean by that question, Ernesto?" "Can you tell me what makes you ask that, Lee?" "Oh, that's an unusual question, Mick. No one's asked me that before. What's behind that?"

When a prospect asks you a question, they're projecting what they're thinking. If you don't understand why they're asking a question, it means you don't know what they're thinking. Take the time to explore and clarify any questions you're unsure of.

If you're unable to answer on the spot, it's perfectly okay to admit that, and ask if you could get back to them after the meeting. Don't ever try to make up an answer: your clients will know if you're only pretending to have information. Waffling on to try to hide the fact that you don't know the answer will damage your presentation and reputation with your prospects. If you can't answer a question at the time, tell the prospect you'll do so once you've had a chance to look into it further.

With a little experience, you'll come to anticipate these questions, addressing them even before they're raised. It's great when you can do that. "John, I think one of the questions this proposal will raise for you is how best to develop the site to convert visitors to customers. As you know, 70% of online buyers actively seek out product reviews. These are a critical part of the buying process, and we aim to address that by ..."

Summarizing the pitch

This is where the purchase price of this kit can be returned a hundredfold. Your summary is vital to the pitch. It could go like this: "As you know, from the details you've provided us about your business and the role for your website ... our proposal and recommendations address the key criteria you've raised. Are you happy with what

we’ve discussed? Is there any aspect of the recommendations that you’d like me to explain further?”

Keep the door open for further discussion after the pitch. If the client thinks of any questions in the days following the pitch, you want them to feel comfortable calling you, so make it very clear that you’re there for them.

You’ve told the prospects that your proposal addresses all their questions. They’re saying, “Yes, that’s everything I want.” You’ve educated them about the value of what you propose, as well as quantified the benefits. Now it’s time for the next step.

Detecting buy signals

One of the most important aspects of the pitch is to be alert for **buy signals**. Buy signals are wonderful—they’re the signs the prospect makes that indicate a willingness to buy.

Body language can be a buy signal, as can be questions. Any question that moves from the “what” to the “how” is a strong buying signal. Questions such as “How would we implement that?”, “How would you go about tackling this problem?”, and “When could you start?” are clear indications that the client’s considering the possibility of actually *working with you*. Any questions that drill down into the practicalities of completing the work are strong buying signals. Go with it—give the client clear answers to any detailed questions they ask.



Who’s Doing the Signaling?

Avoid being too excited about buying signals coming from those not making the buying decision. People within the organization may well be impressed with your pitch, ideas, and proposal ... but if they’re not the ones who’ll make the decision to purchase, their buying signals are, sadly, irrelevant. You should still answer their questions to the best of your ability, just don’t apply any importance to such signals when weighing up your chances of winning the job.

If you’re unsure whether an individual who’s giving you strong buying signals is a decision-maker, you’ll find out at the end of your pitch, when you ask what the next steps in the process are.

After the pitch, you may receive questions that further clarify its details—again, that’s a great buying signal. If the prospect calls your past clients and other references, that’s one of the strongest buying signals you can have. But the biggest of all is that the prospect agreed to see you and hear your pitch. That’s a huge buy signal!



No Buy Signals? Review Your Pipeline

If you don't receive strong buying signals either in or after the pitch, be realistic about the likelihood of winning the job when you're conducting your next pipeline review. As we discussed in the section called "What Not to Do in Business" in Chapter 4, there's no point kidding yourself about jobs moving through your sales funnel. If there are no buying signals from the client, you probably won't win the job. If time passes and you fail to hear anything from the prospect, call your references to see if the prospect has called them; if not, you can take this off your potential jobs list.

Asking for the job

Don't die wondering—ask the obvious question at the end of the pitch: "Do you have any further questions? What's the next step? Do you think you'd like to go ahead with this proposal? Is there anything else we can do to help you come to a decision?" Or, take the very direct approach: "We would be delighted to be part of your team. Would you like us to work with you on this?"

In situations where there's a tight deadline, you might use that sense of urgency to motivate the client into signing the contract. You might say, "As you require the project to be completed within four weeks, we'll need to make a start very soon to meet your deadline. In fact, if we don't commence work in the next couple of days, we'll be unable to meet that deadline. Would you like us to begin today?"



Signing a Contract

Take your standard contract with the terms and conditions, on letterhead, to the pitch itself.

You must make sure you have an agreement in writing *before* you start any project. The information and clauses you'll need to include in your agreement will vary according to your location, so always discuss your contract with a lawyer who understands the applicable laws.

Every dispute I've ever seen web developers involved in would have been quickly sorted if there was a simple contract in place. Always seek a signed contract and save yourself headaches down the track.

To give you an idea of the level of detail involved in such agreements, we've included a typical sample contract in the documentation for this kit. See the document titled **Sample Web Design Services Agreement** on this kit's CD.

If you're leaving the pitch without a signed contract, be sure to tell the client that you'd love to work with them. Don't hide your enthusiasm under a bushel: tell them how excited you are about the opportunity. It's no surprise that prospects love to hear this! In fact, many of my clients have told me that our enthusiasm for the job was what convinced them to award us their work: so few of our competitors communicated that they really wanted the job.

Handling Rejection

As we saw in the section called "What Not to Do in Business" in Chapter 4, you will face rejection. If you do receive a rejection, accept it, own it, and review your performance closely. Work out why you were unsuccessful on this occasion, and identify what you'll do differently in the next pitch.



It's Not the Price

Prospects don't reject you on price. If a prospect says your price was too high, it means that you've failed to clearly demonstrate the value of your proposal to them. It's good to keep this in mind; now you can work on that aspect of your pitch for future opportunities.

What if the prospect says they'll think about it? That will happen, of course. When we hear those dreaded words, we say, "Thanks, John. We'd be delighted to work with you on this project and we believe our proposal, based on your needs, provides exactly what you need to make a terrific number of sales. Please select us—we want to work with you and we want to make this work right!"

As we mentioned a moment ago, you shouldn't be shy about telling the prospect you want their business. They'll appreciate your candor and be reassured that you're so keen. We always ask when the prospect will inform us of their decision—it's much better to have a definite "no" than an extended "maybe," in case they're trying to avoid hurting your feelings.

Once you've returned to your office, send off a "thanks for your time" email, reiterating the key points of your proposal and the fact that you want the business. From here, it becomes a little tricky. Do you call and find out the decision once the deadline passes, or does that just make you look desperate? Or, maybe it looks like you're not interested in the job if you don't call? I've found that some prospects react better if you call, while others find it a hassle. It's up to you to gauge the prospect's preferences and act accordingly.

If you are turned down, it's not the end of the world. Thank the prospect again for the opportunity given to you and move on. And, of course, add the prospect's name and address to your database—there are always more opportunities for work down the track, whether from that particular prospect or from a contact of theirs.

Naming Your Price

Here's a question that dominates web development forums around the world: *What should you charge?*

Your competition charges \$100 an hour. Do you need to beat that? Should you charge \$90 an hour, cut your costs, and generally work harder to make a profit? No. The client will buy your services for a number of reasons, but as I've mentioned, price isn't among them.

Professional services firms use several common methodologies to price work, and we'll look at each of them in this section.

The Pricing Formula

The tried-and-tested formula approach is used extensively in business. It assumes that as well as covering your costs, you want to make a profit on each job. We use this formula to calculate the base rate at which we can offer staff time to clients—either for project work, on a retainer basis, or for ad hoc client secondments.

The first step is to calculate your team members' **charge-out rate**: the price that the client will pay for every hour of time that your staff spend on the project.

Now, you want to cover your costs, so you need to add those up. The cost to your business of each employee hour might include the following items:

- wages and salary costs
- insurance costs (health insurance, for example)
- taxes
- retirement benefits
- employee development, training, and travel costs
- employee amenity costs (for example, sandwiches for lunchtime client meetings, Friday afternoon pizza, and so on)
- software and hardware costs

Add these costs to your business for a full year, then divide the total by the number of employees you have. This gives you an average employee cost—let's assume for this exercise that it's \$80,000. Next, we need to calculate the hourly employee cost.

There are 365 days in a year. Deduct from this total any time off that your employee may take, including:

- weekends
- public holidays
- annual leave
- sick leave
- training days

The final figure will give you the number of days of work that you can expect from each employee in a year. Let's imagine we've calculated that our staff members might work 220 days in a year. Multiply this figure by eight to find out how many hours they'll be able to work in a year—in our case, it's 1,760 hours.

Of course, your staff won't work all year at 100% **utilization**. Utilization refers to the percentage of an employee's time that's spent on billable client work. It will never be 100%, because there'll be times when they're not scheduled to work on projects, or they're required to complete internal work for your web design business itself. So let's assume that an employee's utilization is about 75%. That would mean the average number of hours each would work per year would be 1,320.

Now all we need to do is divide the average annual employee cost (\$80,000) by the total work hours (1,320) to establish our hourly employee cost. In the case of our fictitious web company, it's \$60.60, which we'll round up to \$61.

We've calculated that every hour an employee works for us costs \$61. We need our charge-out rate to cover this cost *and* make a profit. But we also have to consider the other costs of running the business that we didn't include in our employee cost—overheads like office rental, power, and so on.

Most service businesses view their employee cost as representing one-third of the charge-out rate they should use. They allocate one-third to employee costs, one-third to overheads, and one-third to profit.

Using this formula, if we multiply our employee cost by three, we'll have a figure that we can use as a charge-out rate. In this case, it's \$183.

From this point, you can create a rate sheet for your staff. If you have staff who operate at different levels of client projects—managers, operations staff, specialist experts, and so on—you might consider breaking them into separate bands, since the average costs of those employee groups may differ. Then you can create a rate sheet that reflects different skills or salary bands within your organization, to ensure your pricing reflects your various staffing costs.

Once you have a standard hourly rate, you can look at the project proposal and begin to estimate the resources that will be needed for each stage of the job. This includes the amount of effort—or hours—each task will require from each team member.



Avoid Hero Pricing

As you compile your estimate for a project, you'll probably start asking your team members how long they think each piece of work will take. Make sure they don't adopt a hero pricing philosophy, saying "Oh, that'll only take a day!" as if they're superheroes. When it takes them three days, you'll be asking what the problem is, and questioning the rest of the project estimate. Instead, encourage your staff to be as realistic—even conservative—as possible in estimates. It's better to come in under budget than lose money on a project.

Also remember to build in contingency as you compile your time estimates, so that you protect yourself from potential overruns that can occur in web work. As an internal control, it's a good idea to separate the roles of time estimation and pricing, or have a staff member who hasn't seen the estimate look over it before you build it into the proposal. This will help you to ensure your estimates are realistic, and avoid the situation where a person who really wants to win the job underestimates the time it'll take, or cuts the price to try to win the client.



Should You Discount Your Rate?

Some clients may ask you to discount your rates, but think carefully before you do this. If the project's a low-risk job, or it will fill in some time for which your staff wouldn't otherwise be utilized, you might consider a discount. But discounting brings its own problems: it can reduce the clients' perception of value, make it difficult for you to charge the particular client full price on future projects, and cost you valuable opportunities. For instance, you might discount a job in order to win the project this week, but if a full-fee-paying client were to come along next week, you'd lack the capacity to take on their more profitable project.



Discounting Simply So You Have Cash Flow?

If you're discounting your rates simply to get cash in the door so that you can make payroll, for example, something is very, very wrong in your business. A disciplined approach to pipeline management—as we discussed in the section called “What Not to Do in Business” in Chapter 4—should ensure that you avoid such a situation.

Remember: employee costs are more than just wages. In addition, when you think about cost per hour, keep in mind that not every working hour will be chargeable. When you step back from your business for a periodic review, look at your average charge-out rate—you should know immediately if it sounds right, relative to your employee cost per hour. And if your utilization rates are continually below that target of 75-80%, it suggests you probably have too many staff.

Competition and Market Demand Pricing

Many businesses find out what the competition is charging and charge the same.

This concept assumes that price is the major choice influence in the clients' decision-making process, but, as we've seen most recently in the section called “Making the Pitch,” it's not! Despite what they say, prospects are most often more interested in value for money than actual cost. You can discard this pricing structure.

Likewise, the market demand pricing method is based upon price, encouraging the client to compare prices between vendors. You don't want the client to do that. You want the client to compare your offering based on quality and outcomes.

You can sell yourself very short if you try to use competition or market demand pricing. For example, if your business is a premium service provider, delivering complete, high-quality solutions, you'll want to avoid pricing similarly to organizations that don't operate at your level. And large clients may feel that they need a high-end solution that's priced accordingly—a low price might actually make them question whether you're capable of delivering the job. It's important to understand the level in the market at which you're playing, and price in a way that reflects your position in that space.

The other problem with market pricing is that it can be difficult to ascertain exactly what your competitors are charging. You'll often need to be transparent about your pricing with clients, too, and they'll have their own perceptions of value, and expectations of how a project quote should be calculated. If you're unable to provide a clear rationale for your project estimate, you may well lose your prospect's trust. And if that happens, you won't win the project.

People equate quality with price. If you quote a high price, provide the appropriate education for the client on the value they're receiving for their money, and illustrate your professionalism and trustworthiness—price won't be an issue.

I've heard of a web company that was turned down on a major project because their price was two-thirds less than the competition, creating the impression that they failed to understand the brief. This particular business was a web industry leader. The team had completed this type of site so many times before that they could do it faster, better, and cheaper than anyone else. The client didn't believe it, however, and the development team missed out on the job. They lost it to an inferior design company that charged three times the price.

Value-based Pricing

Value-based pricing embodies the idea that you should calculate your charges on the basis of the *value* you provide to the client. With this approach, you charge on the value you'll provide to the client, rather than how long it would take to implement that knowledge into a solution. If, through your experience, expertise, or knowledge, you can provide the client with value above what others can offer, you may consider charging them more.

Quoting on the value you provide is as simple as quantifying the benefit the prospect will receive by using you, and taking this into account as you quote. How might you go about this? First, you need to estimate the value you provide.

The value you offer is an issue of perception. There's no simple formula by which you can put a value on the benefit you provide. However, gauging the perceived value of your offering will become easier with time and experience. Once you can do that, you'll also need to be able to educate the prospect on the value benefit—to “sell” the added value that only you provide. It sounds tough, but with a little practice you'll become an expert.

Example 5.4. Value-based Pricing in Action

We tend to use value-based pricing for products or services that have a commoditized component. We've developed an online education tool for corporate executives, and we resell it into various organizations. This product teaches the executives skills that they cannot currently learn in a formalized way anywhere else, so it adds real value to individual organizations and their team members.

It does this through a commoditized base product, built to the software-as-a-service model, that involves a low marginal cost to set up. If we charged on a per-hour basis for this product, the value of my service wouldn't be reflected in the price. Instead, we need to price this offering on a value basis, charging the client according to the value they'll gain from my service.

If you've developed a tool, component, or service that you plan to reuse in other projects, you'll probably need to use value-based pricing to arrive at a charge for it. Again, you need to look at what the product and intellectual property are worth—both in terms of market rate and the value they deliver to the client—and price accordingly.

Time-and-materials Pricing

With **time-and-materials pricing**, you charge the client an hourly rate for the work, plus the costs of any materials required to do the job (for example, software or travel).

We use this kind of pricing model in cases where a client asks us to provide a resource to do work for them that's distinct from the larger project. Often, the staff member works at the client site, and may be applying their expertise to a range of small tasks that crop up during some work the client is doing. In this kind of situation, time-and-materials pricing makes sense, because the work is ad hoc, and it's not part of a large job that we're working on with the client.

The other case in which time-and-materials pricing can be a good choice is when you're called into a client organization to rescue a project that's gone off the rails. It can be difficult to estimate the time it will take to get a chaotic project back on track—to scope the job would take *a lot* of time, which the client usually lacks at this point, and which we'd expect to be paid for anyway—so time-and-materials is the most logical pricing choice.

Revenue-share Pricing

If you're in the web design industry, you'll undoubtedly face a prospect who asks you to help them develop a project, but says that they don't have the capital to pay you for your work now. Instead, they'll offer you a share of the revenue the project will earn once it's launched.

This is an extremely risky approach to take, and we would only advise it once you're experienced, trust the business owners, and can clearly estimate the revenue that the project will generate in a given time frame.

Example 5.5. Take It Online!

I had a friend who ran an extremely successful chain of vitamin superstores, and called me because he wanted some advice. He was unsure if he should open an online store for his business or not. I offered to set it up for him, and to charge him on a revenue-share basis: I asked for 10% of sales, and he agreed. These days, he makes about \$3 million in sales a year. This has been a really successful project for me.

That example is a rare gem among the dross of revenue-share offers. More commonly, you'll want to consider whether the client has the wherewithal to actually make the project a success once you've completed it, and also ask whether the client values what they're doing and believes it has the potential to be a success. The above example had a number of characteristics that made it worth considering:

- We knew the business owner.
- He had an established business that was extremely successful.
- He was already toying in the online space, but was yet to harness it to its full potential, and was unsure how to.

A final note on revenue-share pricing: if you take on this kind of project, the client may well wind up being your highest-maintenance client. People don't value what they get for free. And when your client has a need, they'll be quick to remind you that you're "business partners"—and not just a client. As you can guess, these kinds of projects can drain the life out of your business very quickly.

Even if you do a great job and the launched project's a hit, your share of the revenue can start to look very high to the client—especially if you're no longer dedicating any time to it. They're having to run and maintain the site, while all the hard work you put in at the beginning of the project is quickly fading into a distant memory.

In cases like this, relationships can start to break down; you can seem to be receiving a large share of revenues for, well, *no* ongoing work. As you can imagine, issues can easily arise between you and the site's owners. So there are plenty of pitfalls to navigate with this risky pricing method.

Summary

In this chapter we've covered everything you need to know in order to land your first client: from calling up every web service provider in town, to understanding the different pricing models you can use.

First, we talked about the best ways to find your first client and explored the importance of networking. We discussed in some detail the techniques you can use to drum up new business, and why they're successful.

Next, we covered the details of the needs analysis process. Here, we walked through the kinds of questions you'll have to ask to complete a thorough needs analysis for each new prospect. We also discussed the most important question you must ask yourself before you start work on the client proposal: why should the prospect do business with you? We saw that once this question is answered, it becomes a whole lot easier to put together a proposal that's comprehensive, successful, and most importantly, benefit-focused.

We considered the delivery of the pitch, which we discussed step by step from start to finish. We saw how important it is to demonstrate the benefits of your proposal to the client, and to ask for the business.

Finally, we answered the all-important question of what you should charge. We looked at a number of common pricing models, and explored the situations in which different models might work for you. We also discussed possible pricing issues that can ultimately affect your ability to run a business profitably.

Now that you have your first client, it's time to look more deeply into developing your business. In the next few chapters, we'll look at establishing your business and developing a set of key processes and relationships. Chapter 6 launches this discussion, dealing specifically with the legalities involved in setting up a small business.

Chapter 6

Facing Up to Business Realities

There's a lot more to starting a business than meets the eye. If you fail to address the basics at the start, you'll inevitably find yourself looking over your shoulder and wishing you'd made better decisions. It'll also be much harder for you to solve problems when they arise in your business.

It would be very nice if establishing your business was all about pitching for sales and managing your projects—but that's only part of the picture. It's up to you to make sure that your business has a strong legal foundation to back you up. At the very least, this means a simple visit to your lawyer before you open your business to the public.

What are **business legalities**, anyway? They include factors like determining the best business structure for you, registering your business, ensuring that your business name and identity is protected, and abiding by the laws in place that regulate your business activity. What can happen if you accidentally forget about them? You might find that down the track you're legally liable when something goes wrong, or maybe you've inadvertently been infringing another company's trademark and now it's suing you. The list is endless.

The lawyers who compiled much of the information in this chapter, Berrigan Doube Lawyers, state that they see too many people *after* they're being sued or investigated by the local authority for failing to follow simple business legal procedures.



Berrigan Doube Lawyers

Much of this chapter has been compiled by the IT and Technology Law team at Berrigan Doube Lawyers. The team specializes in acting and advising on legal issues relating to IT and technology, companies (public and private), partnerships, sole traders, trusts, and commercial joint ventures. For further information on their services, please visit their website.¹

This chapter is a brief overview of what you should consult with a lawyer about *before* starting your business. It is by no means an exhaustive coverage of all the issues that may confront you.



Disclaimer

The material in this chapter is for general informational purposes only. It is not a substitute for legal advice and does not create a solicitor–client relationship or an assumption of a duty of care by Berrigan Doube Lawyers to you. Should you have a legal query, we encourage you to seek independent legal advice.



Localized Issues

As this kit needs to be relevant across a range of countries, we won't be going into great detail on the many issues regarding licenses, accounting, taxes, and the like that you'll need to consider. See your local business services professional for assistance with these matters.

Choosing a Name

When you start a new business, one of the hardest tasks is to find a name that's not already taken. This challenge is even more pronounced if you're planning to operate in multiple countries. Make sure that you check if the name you're planning to use is available in the places where you want to operate—otherwise, you could infringe the rights of others, and suffer legal action as a result.

You'll want to check the name against businesses registered in the country of operation, as well as ensuring that the domain name is available. Most countries have a business name registration system that will allow you to check for prior registrations of your chosen name.

¹ <http://www.berrigandoube.com.au/>

Once you've found a name that's available, you'll want to register it as your business name, register the domain name, and also register any trademarks or logos that you create around that business name.

We'll look at trademarks a little later in this chapter; for now, find out where you need to register your business name, and how you can check the register of existing business names to make sure you can legally use the name you've chosen.



Don't Just Research Names in Your Product or Service Category

When I took over a web development business, I was planning to register the organization's existing name. However, research showed that the same name was used by a chewing gum brand and an auto manufacturer—just to name two! Even if, as in these cases, your chosen name isn't seen as an infringement in the country in which you're operating, you may find it harder to establish a strong brand if your name is used in other categories.

Business Registrations

Once you've registered your business name, you'll likely need to register your business. This requirement varies between countries, and may depend on the business structure you choose (more on this in a moment).

Business registrations may also include registering to pay tax, registering for workers' compensation and other government benefits, and registering for employee health insurance.

Choosing the Right Business Structure

Simply put, a **business structure** is the framework from which you'll run your business. The framework you choose will determine who's in control of your business—and who will be liable for its activities.

Generally speaking, the more complex the business structure you choose, the more compliance and regulatory issues you will likely have to deal with. On the other hand, the more complex the structure, the more limited the liability of the businesses owners. More complex structures tend to provide greater protection for the business owners and their personal assets.

Choosing your business structure can seem daunting, especially when you're confronted with terms such as sole trader, partnership, company, joint venture, and trust. Here, we've

outlined the most common business structures that you'll come across when deciding which one is right for you.

I'd like to remind you that, before you start reading about the business structures, different regulatory requirements will apply in each country. They'll be applicable during the setup, continued operation, and sale of your business.

The Sole Proprietorship

So you think you want to go into business on your own? You seek full control of your business, and you want to avoid the burden of following an overly formal process in setting up. The sole proprietor model may be perfect for you.

The **sole proprietor** is exactly that: an individual who trades on their own, in their own name.

The process for establishing your business as a sole proprietor is simple, inexpensive, and often only involves registering the business name. Depending on which country you're running your business in and what your business name is, there may even be no requirement to do so. You should check with your local business authority on whether you are in fact required to register your business name.

While sole proprietorship can seem simple and straightforward, this model has its limitations; for example:

- The business resources and cash flow are limited to what you have or are able to gain.
- You have the burden of personal unlimited liability, meaning that you are responsible for the debts of the business; if the business is sued, you'll be personally liable.

The sole proprietor structure is best suited to businesses just starting out with limited resources, limited profits, and a limited likelihood of being sued.

The Partnership

This one is for all those best friends out there who are dying to go into business together.

Like the sole proprietor, the **partnership** structure can be inexpensive. It generally requires no more than a partnership agreement to be put in place between you and your partners. Generally, partners have full control of the business, but must make joint decisions. You might find that pooling your assets with your partner's provides that extra finance you needed. Maybe your skill sets complement each other; for instance, you might have the financial expertise, while your friend Stu knows all about marketing.

As with the sole proprietor, you will carry the heavy burden of unlimited liability with your partner or partners; certain laws govern how a partnership must operate. This structure is definitely for those partners who have great confidence and trust in each other.

The Company

Companies are a popular choice of structure, with significant financial and legal advantages for businesses. Being a startup, your company would be small and therefore relatively simple to run.

Raising finance for your business through a company is usually limited to loans guaranteed by directors. As a guarantor, you'd be liable for any guarantee that you give on behalf of the company. As the business would be an incorporated body, you personally would have limited liability and wouldn't be personally liable for the debts of the company, unless you sign off as a guarantor for loans made to the company.

Companies are generally highly regulated by corporations law. Meeting regulatory requirements can often be a financial burden on smaller companies. You should speak to a lawyer about the ongoing costs associated with the company structure and your business before going down this path.

All in all, this structure is more expensive to establish and to maintain than the partnership and sole proprietor, in terms of the legal, accounting, and administration requirements.

The Trust, the Joint Venture, and the Franchise

These are considered the more complex of the common business structures. I've provided you with a brief description of each, but if you want to know more, I'd suggest that you speak to a lawyer.

The trust

A trust is an arrangement for the holding and management of property by one party (the trustee) for the benefit of another (the beneficiary), or for a specific purpose.

The joint venture

A joint venture is usually a short-term commercial undertaking between two (or more) parties, conducted in addition to carrying out their regular business.

The franchise

A franchise is a way of expanding a business, whereby the business owner (the franchisor) permits and trains another person (the franchisee) to run an independent branch of the business in return for an initial and ongoing fee.

Considering Tax

You must think about taxation—especially when you're deciding on what business structure you're going to use.

The business structure you choose will ultimately determine how the income generated by your business is going to be taxed. Everyone has to pay tax, so you need to give this some thought. Make sure when you're discussing your business structure with your lawyer that tax considerations are taken into account. If your lawyer fails to mention them, you should!

Protecting your Intellectual Property

Intellectual property, or IP, is an important business asset. Working in a web design business means that you'll regularly be developing new intellectual property. That might include designs or templates, code, and so on. Most countries' laws state that the creator of the IP owns that IP unless otherwise stipulated in the contract. That means that if you develop it, it's yours.

Your intellectual property is an asset that will set you apart from every other business out there. Like every asset of your business, intellectual property needs protecting.



Can I afford an IP lawyer?

IP legal services can become expensive when you need to apply for patents and the like, but generally speaking, covering IP in your standard work contracts should be an inexpensive process. It's best to find a lawyer who has a working knowledge of IP issues and, as well as ensuring that your standard terms and conditions protect your IP, can give you quick answers to any questions that might arise during the course of business.

It's important to note that intellectual property plays an important role in all your business transactions and relationships. For this reason, it's essential that your ownership of intellectual property is carefully delineated in the different business relationships in which you enter. Any limited rights to exploitation by others should also be clearly defined before you enter into relationships with other parties.

For example, your contract will generally provide the license for your clients to use your IP either for a fixed period of time, or indefinitely.

Yet it's not unusual to find clients who are fixated on owning the IP for the solutions they buy from you. The problem with agreeing to this is that you'll be unable to use it yourself in the future. At a minimum, if you're developing new IP specifically for a client, you need to ensure that any pre-existing IP used in the project—software code, methodologies, and so on—aren't signed away when you agree to allow the client to own the project's intellectual property.

It's often the case that clients who are keen to own a project's IP simply want to have the ability to use that IP forever after. Frequently, it's easy to agree with the client that they can use the IP for as long as they want, while you retain ultimate ownership of the asset.

On the other side of the coin, you'll need to consider the IP issues that surround any work that's created for you by freelancers or contractors. We'll cover this issue a little later, when we talk about employment contracts.

What *is* Intellectual Property?

Intellectual property is everywhere—the law of intellectual property recognizes the creative, intellectual, and administrative efforts exerted by you!

The term **intellectual property** is generic and applies to a wide range of rights, including:

Copyright is a set of exclusive rights in an expressed work or subject matter

Trademark protects a sign by which a business identifies itself or its products to the market

Patent covers invented items or processes that are novel and have utility

Design right protects artistic elements in manufactured products

But, you ask, how does intellectual property apply to my business? The answer is that it applies in many ways which you may have never even considered.

Your business logo and business name may comprise a trademark. You may hold the copyright to the information on your website, and to software that you've created. You may obtain a patent for a software process you've developed. Let's look at each of these intellectual property rights in more detail.

Copyright

Your business is starting out. You've designed a website specifically for your business, developed some great technological solutions, and created manuals for the clients who buy your products and services. Now, you definitely want to stop people from copying the hard work that you've put into creating these works.

Generally, your original works will be afforded the protection of copyright without any need to formally register your copyright. But this may not always be the case, so always check and never assume! As the copyright owner, you'll have certain rights that are the exclusive property of you, allowing you to commercially exploit your works. You can prevent any unauthorized acts such as the copying of the content or layout of your website. In the event that this does occur, you may have the right to seek compensation based on damages suffered by you and/or an account of the profits that the copier has made for exploiting your works.

The prevalence of open APIs (application programming interface), and Creative Commons licensing online have presented new possibilities in the realms of copyright. Obviously, you want to maintain control over your brand or logo, but what about your business's other assets?

If you're writing blog posts or articles, for example, you might decide to open up your content for reuse under the Creative Commons license, with attribution. Others will then republish your content—with attribution—and your words will become like an advertisement or promotion for your business.

What about the IP you develop in assets such as software and methodologies? Consider Google's approach: it won't give away its algorithm, but it will let developers build new applications and services around it. If you're thinking of making your software open source (a great way to scale up your business), ask yourself this: "Is it more valuable to me to have control over the IP, or to let go of control by open sourcing my code, or creating an API to allow others to develop it?" If you lack the resources to maintain your software, but feel that a lot of people would find it useful, making it open source is a good idea. There's no point holding back your IP if you have no plans for it yourself.

If you're providing methodologies to clients through the work you're doing, consider whether you're okay with clients reusing those methodologies in other projects. Ultimately, if you don't have a clear business model to profit from the IP you've created, think seriously about providing it free or under an open source model, so that it can proliferate and help build your reputation in the right circles.

Trademarks

A trademark is a very important business commodity. It's the mark that distinguishes your high-quality product from that of your competitor. How do you ensure that no one else uses your distinguishing trademark? For that matter, how do you ensure that your trademark isn't infringing on another company's trademark?

Depending on where you're located, different requirements will need to be satisfied to ensure that your trademark is legally recognized. A trademark is generally registered with your local trademarks office by following the processes stipulated by that office. It's advisable to conduct a trademark search in the country you'll be providing your services in to ensure that another business hasn't already registered it. Once it's registered, as the owner of a trademark, you'll have the exclusive right to use the mark in association with your goods and services.

Unfortunately, like everything, there are costs associated with registering your trademark. The costs will vary depending on which country you're in, and on which countries you want your trademark registered in.

If another person or business breaches your trademark by using it in conjunction with their services, you may be entitled to an injunction to stop them from using your trademark, damages for injury incurred by your business as a result of the use of your trademark, or an account of profits gained by the party using your trademark.

Example 6.1. Webdesign Woes

I had a client who'd chosen a great business name. Unfortunately, he'd chosen his business name without any consideration of the other businesses out there that were providing the same services as he was. In his mind, if he hadn't heard of the business, it must not exist. After printing off his business cards and marketing his product, he belatedly decided to file for registration of his trademark in Australia.

For the purpose of the example, let's call the business name Webdesign Online.

Boy—did he get a surprise when the trademarks office said that they couldn't allow his trademark to be registered, as it was deceptively similar to another one. The other trademark was, simply, Webdesign—a trademark that he'd have instantly been aware of had he conducted a basic trademark search before settling on his business name.

He now has to spend money fighting to have his trademark registered, if it can be registered at all.

What did he learn from this exercise? If he'd completed the relevant searches to establish whether there were any other trademarks similar to his, he could have saved himself the trouble of defending his choice of trademark and developed an alternative name for his business.

Patents

So, you've invented a great software process that you think will help businesses operate more effectively and efficiently. You want to be able to market and sell this software process, while being protected from businesses wishing to exploit your invention. You may need to patent your invention.

Generally, your invention or software process must involve new manufacture, be novel and inventive, and have some practical utility to be patentable. Do you think your software process addresses all the criteria? To obtain protection, you need to register your patent with your local patents office. Registration will depend on the requirements in your locality.

If a person uses your patented invention without your permission, you may have an action in the courts against them.

Contracts for Work

Before you start working with clients, you need to have a method of contracting, and some standard terms and conditions that you can use to govern the agreements you make. Web companies that commence without putting their contractual foundations in place swiftly end up in disputes with clients. Those disputes can be difficult to resolve without any legal documentation like a contract, which is designed to help resolve such problems.



What comprises a contract for work?

The contract for a job will take in your standard terms and conditions for doing the work. We usually provide clients with a letter of engagement that has the time frames and price for their specific job, along with the project proposal, and our standard terms and conditions. Together, these documents are seen to form the contract for work.

Agreements between service providers and clients are an essential element of your business. They state what services you're providing, and on what terms they're being provided.

They put in place the legal obligations that will bind you and your client. Most importantly, they establish the extent of your business relationship with your client. You need these agreements!



Don't Overdo Your Contract

Often, a one-page contract can contain everything you need to agree on, and if you're working with smaller clients, they may be intimidated by long contracts. The thickness of your contract isn't important. What matters is that your contract covers everything you need it to, and that the details are explained in plain language that both you and your client understand.

You need to ask yourself some key questions when formulating an agreement. How is my client going to pay me? From where will I provide my web design services? Am I giving my client any warranty for my services? If something goes wrong down the track, can I be held liable? A written agreement can address these issues and more.

Be aware that a large organization may have its own terms and conditions that the client may want to use instead of yours. If you have experience with the legalities of agreements, you might be happy to assess these alternative terms and conditions on your own; however, if you doubt your legal prowess, speak to a lawyer before you agree to another company's terms and conditions.

Organizing contracts is relatively easy: you can find standard contracts online for purchase and download. Make sure you talk to a lawyer to ensure that, whatever the nature of the business you're running, you have the right contract and terms and conditions to avoid potential disputes. To get you started, a **Sample Web Design Services Agreement** is included in this kit's CD.



Don't Start Until They Sign!

It's all very well to have contracts drawn up and send letters of offer to clients. But unless you have a signed contract in your hand, the terms of the agreement will offer you no protection. The short story here? Do not ever start work on a project without a contract that contains both your client's signature and your own.

The Elements of the Agreement

However your contract is compiled, all contracts involve the same elements of agreement between a service provider and the client.

All these elements are required to form an enforceable contract, and they're all important. These elements may vary depending on the country in which you're conducting your business.

Offer and acceptance

The parties must agree on the rights and obligations created by the contract; this means that your client must agree to your terms of trade before you start providing the services.

Intention

Both parties must intend to be legally bound by your terms of trade.

Consideration

Each party must pay a price for the other's promises under the agreement; that is, you must provide the services to your client in exchange for them paying you the fee for your services.

Genuine consent

Each party must genuinely consent to the contract; you can't force your clients to enter into the agreement with you.

Legality of objects

The objects of the contract must be legal. Your client can't make you carry out illegal services, and you can't place illegal obligations on your client.

Legal capacity to contract

Neither party can be underage or intoxicated at the time of entering into the contract.

Some terms will exist between you and the client that are outside of your written agreement. Such terms will be implied in the contract between you and the client by **consumer protection** legislation enacted in your country. Implied terms may relate to consumer law in general, or more specifically to the services you, as a web designer, are providing.

In some instances, implied terms may be expressly excluded in the agreement. However, some statutory terms are non-excludable and you must ensure that they are followed by your business.

Other aspects of the client-service provider relationship need to be considered; you'll find some typical documents on the CD-ROM that will assist you in covering yourself, such as **Sample Ongoing Maintenance Agreement**, **Sample Ongoing Marketing Agreement**, and **Sample Hosting Agreement**.

Employment and Contractor Agreements

If you're planning to employ people in your business, either at the start or as your business grows, make sure you have a good employment contract in place. Many organizations end up in disputes with employees, no matter how well they run their businesses, or how good their company cultures are. You may be thinking, "I'm not going to employ anyone or use contractors to do my work." But if your aspirations for the future include the growth of your business, you will.

Your employment contract should cover the basics:

- the role and job description
- probation periods
- who owns the IP that's developed by the employee or contractor while they're working for you
- codes of conduct
- confidentiality and non-disclosure
- notice periods
- termination conditions

In many countries, standard employment contracts are available on government websites, but again, it's a good idea to set up a short-form standard employment contract with your lawyer at the outset of your business. This will ensure you're covered for any circumstances that may arise between you and an employee in the future. You can use the **Sample Non-Disclosure Agreement** document on the CD-ROM as a template, and have it signed off by employees and contractors when necessary.

For now, let's look at the key considerations to take into account as you consider employee contracts.

Employee or Contractor?

Employees and **contractors** both work for you. In working for you, they'll eventually both be paid. However, the relationships are different, and should therefore be treated differently.

To recognize whether a person is an employee or contractor generally requires an analysis of the relationship between the parties—it's *not* about the label you've given to the relationship or the person. The definitions of employees and contractors vary from country

to country; here, we've outlined some of the elements that may be taken into account when determining the nature of the relationship.

Generally, a contractor is an individual who's engaged under a contract to provide a service for a fixed period or fee.

The definition of an employee, on the other hand, is a question of fact and will be determined on certain criteria, such as:

- the amount of control the employer has over the employee in terms of where they work, when the work is performed, designation of the actual work to be performed, and the supervision of the job as it's carried out by the employee
- whether the person works for results for their employer, such as achieving a certain amount of sales for a quarter
- whether the person has the power to delegate
- who bears the risk when something goes wrong
- whether the conditions under the contract are employment related, such as sick leave, annual leave, and allowances for costs incurred in using their own assets

The Employment Relationship

All too often, employees seek action against employers who have breached workplace laws. This scenario can end up with the employer having to pay out money they should have been using to grow their business.

In almost all countries, the employment relationship is regulated by a myriad of regulations that you must follow. When hiring an employee, you'll need to consider the following:

Contract of employment

What should be included in a contract of employment?

This contract sets out the basic arrangement between you as the employer and your employee, and will incorporate implied terms set by the relevant legislation.

Minimum working conditions

Does legislation compel me to provide my employee with minimum working conditions?

As a web design employer, you may be bound by a certain law that can specify items such as minimum wages and conditions for your employees. Workplace laws may also exist to regulate the minimum conditions for your employees.

Employer taxation obligations

Do I have to retain a certain amount of tax from my employees by withholding amounts from their pay?

You may have obligations to ensure that your employees are taxed appropriately.

Termination of employment

What rights will I have to terminate the employment arrangement?

This can be the trickiest part of the relationship cycle. You must ensure that you have in place proper mechanisms to ensure termination is effected appropriately. The mechanisms will predominantly depend on the legislation in place.

Discrimination and equal opportunity

Which laws apply to me?

Certain countries have in place laws that regulate the workplace in terms of discrimination—from the initial job interview right through to the end of the employment relationship—based on attributes such as sex and religion. A failure to comply with these laws not only carries hefty penalties for your business, but possible bad publicity.

The Contractor Relationship

So you've decided you need a helping hand with part of a project you're working on for a client. There's no need for an ongoing relationship with this person—you just require their services for a short period of time, for that single part of a particular project. In this case, you may want to engage a contractor.

The use of contractors is becoming more and more prevalent. Outsourcing work to contractors in the web development industry is especially common. Why?

Reduction of employment costs

Costs—such as sick leave, annual leave, and long-service leave—are avoided.

Cost predictability

Project costs are more predictable, and can be negotiated with the contractor.

Taxation

There's a lower administrative cost involved in remaining compliant with taxation and industrial law provisions.

Greater flexibility allowed for employers

There's no need for an employer to provide ongoing payment to an employee when their services are no longer required.

Using contractors may sound ideal, but this approach also has its disadvantages.

Contracting out work may mean that cost savings are not realized. It can result in a loss of skills, as the capabilities the contractor brings to your organization leave when the contract ends. Additionally, you may remain liable for compensating a contractor who's injured while working for you.

Privacy and Spam

Privacy and spam issues are becoming more prevalent with each passing year. Why? Because every business is trying to obtain their clients' details—often before they're even clients. And spam? Well, we all know what it feels like to have the inbox clogged with spam.

Privacy and spam issues are regulated by different national laws. You need to know how these regulations affect your business practices, and ensure that you're operating within the law.

Keeping It Private

So, you've gathered information about your potential clients from the local listings and from information that they've unwittingly submitted to your website. Great! Now you can use this information to send them all sorts of publicity about your business, right?

Wrong. What do your local laws say about privacy? In many countries, laws exist that provide a right against unsanctioned invasions of privacy.

As an example, the Universal Declaration of Human Rights, in Article 12,² states:

No one shall be subjected to arbitrary interference with his privacy, family, home or correspondence, nor to attacks upon his honor and reputation.

² <http://www.un.org/en/documents/udhr/index.shtml#a12>

Everyone has a right to the protection of the law against such interference or attacks.

Generally, privacy laws will focus on regulating how you collect, use, keep secure, and disclose personal information. They may also stipulate how people can access the information that your business is keeping about them.

Personal information is information that can identify individuals or businesses. As a general rule, an exception to privacy laws exists where individuals consent to you using or disclosing their personal details. Understand the value your clients place on their personal information.

It's good business practice to assure current and prospective clients that your business is accountable for the way it will handle their personal information. Make a public commitment to disclosing how you'll use your clients' information on your website.

Spam

Unsolicited bulk emails can be the bane of some people's existence. Don't make it your clients'.

Spam can include unsolicited emails, instant and mobile phone messaging, and junk fax transmissions. Spam laws have been introduced in a number of countries to make it illegal. Believe it or not, some people think spamming sounds enticing, offering low advertising costs beyond the management of their email list.

If you're seen to be a spammer, you may experience your reputation plunging and client numbers declining ... right before you hear a knock on the door from your local watchdog.

Example 6.2. The Case of the Electronic Messenger

We had a client with a great business idea: selling stick-on "For Sale" signs for cars. He had arranged for the manufacture of the signs and the design for his website, and had chosen a price for his product. His plan was all going along smoothly.

He had a simple marketing strategy: collect phone numbers from people's cars that are already for sale, and then send the potential clients a text message advertising his business of stick-on "For Sale" signs for cars.

The only problem with this marketing strategy was that it breached the local spam laws at the time. Although he's yet to be visited by the local watchdog for the breach, he's received some unhappy messages from those targeted, with the common theme of "stop sending me spam."

Breaches of this nature can result in substantial fines. Ensure that you're aware of, and comply with, spam laws that may affect your business.

Setting Up a Bank Account

Obviously, if you're running a business, you'll need a bank account. You may be unaware, though, that the account you'll use will depend on the business structure you've chosen. For instance, a partnership will have a partnership account, while a company will use a company account.

Accordingly, before they open an account for you, the bank will want to see full documentation of your business's legal structure. Make sure you take this information with you when you go in to open an account, and be prepared to explain the details of what you're doing with the bank manager.

Try to find a bank that's focused on small business, since a good banking relationship can be very useful to you. You may also want to create an arrangement that provides some flexibility—for example, one that lets you obtain an overdraft—so shop around to find a provider that can deliver the services that your business needs.

Costs and fees may be similar, but it's crucial that you find a bank manager who understands you and your business, is accessible, and can help you grow your operation. Many banks offer small business advisors who'll help you network across your industry with other customers, for example. Perhaps your local branch business manager is well-connected with technology clients—that could be really helpful for you. They may also offer meeting spaces that you can use in other states, technology and tools, access to training and events, and more. In business, a bank is *not* just a bank.

Funding Your Business

Before you can launch a new business, you have to decide how you'll fund that business.

First, have a think about what you'll need to spend up front to start your business. That might include equipment, software licenses, legal and corporate structure costs, and so

on. Ideally, you'll minimize those setup costs so that you don't need a lot of money to get started.

The next consideration is to prepare a cash flow statement for the next six months. Although this will be a little difficult as you've yet to start operating, it will help you to understand the sort of revenue you're expecting to generate and when it will come in, as well as the likely costs you'll incur and when they'll need to be paid. As you prepare the cash flow, you may find that it'll take you a month to complete a client's job, and another month to obtain payment from them. That means two months with no revenue for that piece of work. Of course, your employees will expect to be paid every month—at least! Your cash flow will help you plan the timing of your expenditure.

Once you have a clear picture of the expenses you'll face, you'll be able to start thinking practically about funding your business.

If you already have clients lined up, and can start working straight away, you may be able to get cash in the door from day one. That's ideal. We call it the **client-funded model**. As you consider starting out in business, give some thought to the ways in which you might be able to employ the client-funded model, because it can help you avoid the hassles and risks involved in bank loans and attracting external investors.

If you're not in a position to use the client-funded model, you have these options:

Invest your own personal capital

You can use your own capital to buy essential tools and equipment: computers, business cards, and so on. If you do this, try to minimize that initial spending until you can secure some client cash flow. If you exhaust your own personal savings at the start, then experience a slowdown of work in the future, you'll be without the backup necessary to maintain and continue your business.

Obtain a bank loan

The bank may consider lending you money to start your business, but in most cases they'll only lend money to startups if you have other assets that can be used to secure the loan. The bank may want to use a mortgage on your home or some other asset as security for your business loan, and that increases the risk you run if your business fails. As an alternative, you might seek a small short-term overdraft from the bank; they may want to see cash flow statements and revenue projections, as well as security outside the business, before they consider lending you the money.

Invite external investors

Many technology startups look to external investors for funding. Often, those investors may be family and friends, or other business contacts. In my opinion, the only reason you should consider bringing in external investors is if you have a significant need for investment up front. For example, if you're deciding to enter the market by buying an existing web business, that may require significant capital, which you may only be able to obtain through external investment.



Funding from Family and Friends

If you receive funding from family and friends, the nature of your relationships with those people may alter. Every time you meet up, the conversation is likely to turn to your business, its performance, and its outlook. Your investors will want to know how their investment is going, and if it's not going well, that can create an enormous amount of pressure on you—right at the time when you need to feel supported by these people.

Sometimes, investors will want to take an active role in the business. While at times this can be good, often it creates unnecessary distractions when you're starting out. In addition, external investors will usually want to own a share or percentage of the business. When you begin, your business's value is at its lowest, so the cost of obtaining investors' funding might be comparatively high. For example, if you need \$100,000, the investor may want a 50% share of your business in return for their investment. If you give away a large percentage of your business at the outset, when it comes time to expand in the future, you may have little personal equity left that you can use to entice other external investors to the business, and that can hinder growth.

This is a particular issue with technology software and hardware businesses, rather than web development businesses, but it's definitely worth considering as you plan your funding. For this reason, I prefer to leave external investment as an option for later in the business's life cycle—to fund expansion, rather than initiation.

Seek grants

Government grants are available to businesses in specific industries, sectors, or communities in many countries. Often, these grants target small startups and remote or rural operators. Check the websites run by your local and federal governments to see if they offer these kinds of grants. If you go for a grant, do your research: some grants require you to report back to the grant body regularly, or undertake certain tasks. This kind of overhead may distract you from the work of running your business, so be sure you know what you're getting into before you send off the grant application. Similarly,

ensure before you begin that you know what you need to do for the application itself. Sometimes, the time you'll spend preparing the application will be worth more than the value of the grant.

Grants are often also available for established businesses looking to undertake certain challenges—entering an export or offshore market, for example. Normally, these are unavailable to startups, but they may be useful at times when you're looking to expand in future.

Many startups suffer from their owners having rose-colored glasses: they get excited about the number of potential clients talking to them, and overestimate their ability to earn revenue in the initial phases. If your prospects fail to become clients, or the market's tougher than you expect, you could find yourself in hot water very swiftly. So whatever method you choose to fund your business, try to reduce your startup costs and risks as much as you can. If you run into trouble in the early days of your business, it can be very difficult to get out of—especially if bank loans and mortgages are involved.

Insurances

Some insurances are mandatory, but even if they're not, insurances are necessary if you're going to run your business well. Before you start operating, you'll need to consider the full gamut of insurances.



Do I really need insurance?

When you're considering insurance, it's the sort of expense that I call a "grudge purchase"—you really only want it when you need it, and the rest of the time it can seem like you're paying money for no appreciable benefit. But if something does go wrong, and you're without insurance, you can find yourself out of business very quickly. For example, if a client sues you, the costs of trying to solve that problem and deal with lawyers can wipe out a business in less than a month.

Don't leave your business's future to chance. You'll plan your marketing, sales, production, and delivery. Plan to protect yourself as well.

Professional Indemnity Insurance

This insurance protects you against any damage that may be suffered by a business as a result of the work you've done. For example, if you built a site for a client that accepted a high volume of online sales, but some faulty code caused the site to crash regularly, you may be liable for damages. Not so long ago, an airline's booking system—the development

of which had been outsourced to an external company—went down for a day. The damage to the airline’s brand, as well as the loss of revenue on that day, resulted in a claim worth millions of dollars.

Obviously, without insurance, a claim like that would likely be the end of your business. Professional indemnity insurance is a very important insurance to have. As your business starts to grow, and your clients tend to be large corporate or government bodies, you’ll find that professional indemnity insurance will often be a condition of the contract: if you don’t have it, they won’t work with you.

This insurance can be expensive, but your lawyer or bank manager may be able to find good insurance that’s structured appropriately for your business type and the work you do.

Public Liability Insurance

A client enters your office, falls down the stairs, and breaks their leg. Public liability insurance will cover you in the event of this happening. It can also be arranged to cover you when you’re off-site; for example, if you’re working in a client’s office, and they trip over your computer cable and break an arm in the fall. It’s a basic insurance that protects you against mishaps or accidents that happen as a result of your actions in the course of running a business.

Public liability insurance is relatively affordable, and the level of cover you need will likely depend on the location in which you’re operating. It’s a relatively simple and low-cost way to cover yourself, and again, many clients will require you to have this insurance before they’ll work with you. This is particularly the case if you’re working on-site with them, or you allow their staff to come into your premises.

Employee Insurances

If you’re planning to employ others, you’ll face insurance requirements that are specific to the location in which you’re operating your business and employing those people. Employee insurances will often cover things like workers’ compensation and health cover. So, for example, if a staff member falls down the stairs in your office, they’ll be covered by your employee insurance.

Contents Insurance

As with your personal insurance at home, you’ll want to have contents insurance on any equipment you own. If you take your equipment on the road or to client sites, you should

ensure that your contents insurance specifically covers your items on those occasions, as well as in your car, and on your own premises.

Many web companies are burgled; it's not uncommon to forget equipment, leave it at clients' premises, or have it lost in transit. Additionally, we all know that accidents happen, and electronic equipment can get damaged. Contents insurance is critical to protect your assets.

Business Interruption Insurance

As your business starts to grow, it's useful to consider business interruption insurance. For example, imagine that the premises you're working in caught fire and you were unable to operate for a month. You still have financial commitments—such as payroll and supplier costs—that you'll need to meet. You may also need to relocate to temporary offices while your premises are being repaired, and that will cost you, too. But if you've stopped operating temporarily—or you're only operating at half your usual capacity—where's the money going to come from to make these payments? If you're unable to meet your expenses, you'll find yourself in trouble very quickly.

This is where business interruption insurance comes to the fore. It covers you for events such as floods, fires, or any other external factor that would render your business unable to operate to full capacity. It's inexpensive, but as you grow, your business's overheads will naturally increase, making business interruption insurance even more important.

Once, I worked with a small community supermarket that went out of business when the local council remade the street outside the store. This project took the council six months longer than expected, and while the roadworks went on, customers couldn't access the supermarket parking lot. The store owner still had to pay his employees, power, rates, and other costs, but as he had no income, his business eventually collapsed. If he'd had business interruption insurance, the outcome might have been different.

Finding Premises

When you start your business, the premises you'll need will really depend on how you're operating. Here are some of examples:

Home office

If you're operating by yourself or with one or two others, you may find that you're able to work effectively from a **home office**. One of the drawbacks of a home office is that it can be difficult to separate your work from your home life. You may find that you blur the lines, and end up working all the time because your office is right there or,

conversely, have trouble settling down to work because the distractions of home life are all around you. Before you set up a home office, think about whether you actually have conditions at home that are appropriate for, and conducive to, working effectively. Of course, the obvious benefit of a home office is that it entails no additional cost.

Co-working space

Another opportunity that's becoming more common for small operators now is the **co-working environment**, where organizations periodically open up their existing premises for a day, and allow others to come into that space to work. One of the strengths of co-working in the web industry is that many of the co-working environments are run by web companies, and co-working allows you to mingle with others whose businesses are at a similar point to your own. This is a low-cost option, and one that might offset working from your home office very well; for instance, you might usually work from home, but occasionally go into a co-working environment to keep your creative juices and networks flowing.

Shared office

Shared offices are usually provided by an organization that also has infrastructure like reception services, copiers, kitchen facilities, meeting rooms, and work spaces shared across companies. This is often a cheap way to expand as your company grows, as you have access to all the infrastructure you need.

Your own office

Setting up your own office is a significant step. In general, you will be leasing office space, which will require a long-term contract—often landlords want you to sign a lease that lasts for more than one year. Setting up your own office requires decisions on a range of issues, such as the flexibility of the space, how many meeting rooms you will need, whether you'll need a receptionist to staff the office at all times, and so on. As a consequence, this is a step that should only be taken when your business has experienced significant growth, and you know you have a real, viable business on your hands. While this is the most expensive premises option, once you've grown, it makes a lot of sense to find a place where all your employees can come together and collaborate.

Virtual office

Businesses now are turning more frequently to the concept of the virtual team, and that can present other benefits and pitfalls to the more traditional options. These businesses might have a small base office, but use a virtual team comprising employees located around the world in their own homes and offices. If you're planning to embark

on this kind of operation, you'll need to ensure you have very strong communication and collaboration tools so as to establish a strong organizational culture, maintain communications, and allow your business to grow.

I feel that if you're building a virtual team, you really need to overcommunicate—and you know you're doing that when the overcommunication starts to bug you. But if you don't do this, you run the risk of having disparate team members who feel isolated, disaffected, and have trouble taking or understanding directions and carrying them through. In short, you may have trouble getting work done.

Summary

In this chapter, we've gained a solid grip on the practical realities of running a business. We've talked through the most important—if not exciting—decisions that you'll need to make before you start to operate.

There are always tasks that you don't want to do in business, but have to. The point of the business realities we've discussed here is to set solid foundations early on. These foundations will prevent you from being distracted later by problems that arise because you didn't set your business up properly at the start. And they'll position your business to grow quickly, without a lot of administrative headaches.

We began this chapter by discussing the importance of choosing a name for your business, and registering that name, the logo, and your business itself in order to meet any relevant government regulations. Then we explored the common business structures, and touched on the pros and cons of each. We also saw how your business structure can affect your liability, taxation, and banking arrangements.

Intellectual property was looked at in some detail, and we discussed the nature of contracts, both for work and for hiring employees. We also saw how privacy legislation can affect your business and the way you operate within the market.

Next, we turned our thoughts to questions of finance: finding a good bank manager, setting up bank accounts, and funding the business itself. This section allowed us to consider the advantages and risks involved in different funding approaches, and helped us understand when certain funding models might be more appropriate than others. We also considered business insurances, and addressed what type of premises are right for your fledgling operation.

As you face each of these decisions yourself, seek advice. Ask trusted peers and colleagues for recommendations of professionals who they can depend on. Do your research on potential business partners—bank managers, lawyers, insurers, and so on—so that you feel comfortable with the partnerships you make.

Chapter 7

Key Processes

When you run a web design business, there are a few key processes that you'll need to master if you're going to be able to grow and make a profit.

These processes answer questions such as how will you:

- record the time you spend working?
- bill clients?
- manage opportunities and relationships?
- collaborate with employees and clients?
- manage your external reputation and promotion?

Having processes can seem like overkill for a small business. But as you grow, if you're without a standardized way of performing tasks, your business will quickly end up in chaos. You won't know how much the work you're doing is costing you, when you can expect to be paid, what jobs are coming up, and so on. Sorting these processes out at the start is crucial.

Time Recording and Billing

The core system you'll need is time recording and billing. When you quote for a project, you'll include a time estimate for the job, which will underpin the way you price the job. If you fail to record the actual time that you spend on the job, you won't be able to understand whether you're quoting accurately or the work you're doing is profitable, and so on. Sometimes, you may work on a time-and-materials basis, which we discussed in

Chapter 5, and again, if you're not recording your time, you won't be able to explain to the client the work you've been doing, let alone invoice them for it!

How do time recording systems work? When you win a project, you establish a project code for it, and you record alongside that code the time you've spent on it. In those records, you'll include notes about the work you're doing, so that you know how the quoted time is actually being spent.

One great benefit of all these records is that you'll easily be able to calculate the time you have left to complete a job at any point during the project. You can then compare that figure against the time you quoted to the client—for which they approved budget. If you're 90% of the way through the project budget, but you're only 50% of the way through the project, you'll know you have a problem on your hands.

A good time recording tool also acts as a great early warning system. If you find a job's going off the rails early in the piece, you can go back to the client and have a discussion about why that's the case, whether you need to adjust the quote, and so on. Sometimes, you'll identify that the reason the project is running overtime is because the client is failing to give you the content, information, or approvals you need. To realize and ameliorate that kind of issue early in the job can save you time, money, and hassles—and help you build the kind of strong client relationship that you want and need for your business.

The other key benefit of a time recording system is that it allows you to bill your clients. Across your business, you'll want to monitor how much time you have available in terms of labor, and how much time you've spent on client work; then compare that against the amount you're billing clients each month. If you're building up a lot of time in the recording system that's yet to be billed, it's a major indicator that you potentially face cash flow problems in future.

Automated time recording and billing systems may help in getting invoices out quickly and solving client payment disputes. If a client needs further explanation about a charge or an invoice, all the information you'll need will be stored in your time-recording system, so you'll have no trouble providing a rationale for each of the invoices you send.

Time recording is a discipline that many who work in the web industry aren't acquainted with, particularly if they've been working inside an organization rather than consulting. But it's important that every task you and your staff do is recorded—at best on a daily basis, and at worst, weekly. It's a discipline that a well-run business always champions, since it's very difficult to manage a business in which you have no visibility around the

work being done and the invoices going out, as well as the overall profitability of every project you're working on.

Accounting

Your accounting system will also play a key role in managing your business. It records your sales, costs, capital investments you've made, and any equipment or assets you've purchased and developed. Ultimately, it forms the basis for managing your business, and for dealing with any compliance issues such as paying taxes, employing people, and so on.

Most accounting systems have been developed for people with accounting expertise. However, in the last few years, we've seen many software-as-a-service accounting systems developed with more visual interfaces, so that non-accountants can understand what's going on in their business. The main issue you should be thinking about as you consider choosing an accounting system is what information you'll want to extract from it.

On a day-to-day basis, the most important will be your current cash and bank position. Many of the new services can extract data from your bank account into your accounting system and reconcile where you're at: they'll flag payments that you've made that have yet to reach the bank, or invoices that have been sent but not yet come through to you. Day-to-day cash flow management is a core part of any accounting system.

Our recommendation for startups is to look at your overall profit-and-loss position on a monthly basis. Many small businesses only look at the accounting side of the business once a year—when they see their accountant about their tax return; but be warned that businesses that fail to keep a tight watch on the overall financial position of their business are the ones that get into trouble fastest. Ignorance of one's profitability position is a significant cause of business failure—don't let it be yours.

The key parts of the accounting function are:

- recording sales
- recording costs
- managing your cash position
- bank reconciliation
- comparative data and graphical tools that reflect how sales and profitability are going
- what money is owed to you
- what money do you owe to others
- your overall financial position at any point in time

A good accounting system should also have a cash flow forecast tool. This allows you to see not just how your business is going today, but, based on the work you're doing and the time frames you can expect for payment, how your cash flow looks for the next three to six months. Again, this provides a valuable early warning system that can provide you with the information you need to avoid disaster.

There are many online accounting systems, but most are localized to the country that you're operating in, as countries have different rules around tax and accounting treatments. The key selection criterion for your accounting system should be that you, as the business owner, can understand the information that's coming out of the system, and can use it to run your business.



Use the Right Tools for the Job

We've seen a lot of small businesses that try to run their accounting function through an Excel spreadsheet. While this might be okay for your first project, updating and maintaining that spreadsheet will quickly become a major problem, as will gaining any meaningful data from it. We've seen many business owners spend their weekends hammering away at spreadsheets, when all they needed was to choose the right tool. A good accounting program will make managing your finances—and business—a very simple, but highly valuable process.

Leading accounting tools include Xero¹ and accountsIQ.²

Contact Relationship Management

There's an old saying in the web design industry that you're only ever eight weeks away from disaster. Put simply, even if you're working on projects today, you need to ensure that you have projects coming in later, and opportunities that may develop into projects as well. If you're struggling to manage your opportunities and customer relationships, you'll likely find your work levels—and cash flow—rise and fall over and over, rather than remaining constant or predictable.

A good **contact relationship management**, or CRM, tool, will allow you to keep track of the conversations you're having, and the opportunities arising from such conversations; you'll also be able to identify which of those conversations are turning into proposals, and which proposals are winning you work. This kind of scrutiny of the pipeline management approach we saw in the section called “What Not to Do in Business” in Chapter 4

¹ <http://www.xero.com/>

² <http://www.accountsiq.com/>

allows you to very clearly identify the sorts of work you're able to win and the sorts of opportunities that convert into clients. It also gives you a strong sense of whether you need to employ more people, since you can see what work is coming up, and how it may be scheduled.

A good CRM system will also have tools for email marketing and event management, as well as maintain contact lists (although, as already discussed, I find that LinkedIn is a more effective way of managing our contacts). Understanding how to collate the data and use the tool is crucial to the value you gain from your CRM system.

From a marketing point of view, I also like to use the CRM tool to record the key interests of our contacts. This way, if we're sending out information on an event, we can ensure we invite the right people, and keep in touch with all our contacts on a regular basis. A CRM system can also help you identify like-minded clients and contacts, so that you can bring them together to discuss issues that are relevant to all. Bringing your clients together can be a powerful way to build relationships, but also generate new work: as clients talk to one another, they find out about the projects you're doing, and begin to wonder if you could perform a similar task for their business.

There are a plethora of CRM systems available, the most well-known being Salesforce.³ This tool is accessible, but it's more expensive than others since it has the most comprehensive feature set, to which you can add as you go. Other tools like RightNow,⁴ Highrise,⁵ and SugarCRM⁶ are worth considering, too. In any case, avoid running these systems in-house on your infrastructure and servers; if there ever is a problem, you'll be diverting time and resources—which you could be charging out to clients—into solving problems that could better handled by people outside your organization.

Collaborative Project Management Tools

Running web design projects can be difficult, because you're often dealing with people who lack the expertise in how a successful web project is run. Traditionally, tools like MS Project enabled internal staff to provide a static project plan to a client, but the plan didn't reflect the possible changes the project might encounter. Web design is a very fluid environment, and being able to work with that fluidity—for instance, making alterations

³ <http://www.salesforce.com/>

⁴ <http://www.rightnow.com/>

⁵ <http://highrisehq.com/>

⁶ <http://www.sugarcrm.com/>

to deliverables and task deadlines on the go—can help a project to run much more smoothly than it would otherwise.

Most projects hit trouble because of communication issues—people are unclear of what they were supposed to do, and by when. I’d recommend using a range of collaboration tools that allow you to manage projects both internally and with your clients.

For collaborative project management, I recommend a toolkit like Basecamp;⁷ it’s easy to use, allowing tasks to be assigned both internally and externally to your clients, and provides visibility about the current status of the project. It also has a strong platform for regular status meetings with the client, and helps you identify and solve problems as they occur.

I’ve also found ad hoc tools to be useful within project teams. Tools such as instant messaging, microblogs like Yammer,⁸ and others can help project teams keep in touch when they’re operating remotely from one another. For small teams, tools such as wikis can also be useful as a means for information tracking, and as a team, we’ve personally found Jira⁹ to be really useful in the testing process for reporting bugs, tracking user acceptance testing work, creating issue logs, and assigning resolution tasks to team members.



Fan of the Gantt?

If you like to work with Gantt charts—which we’ll cover in more detail in Chapter 13—the site Tom’s Planner¹⁰ provides cheap and cheerful (not to mention great-looking) charts.

With all these tools, it can get confusing. Make sure you choose one project management tool as a single point of truth for your projects, including timing, roles and responsibilities, and status reports—as mentioned above, I’d use Basecamp for this.



My Client Doesn’t Get Project Management

If your client has no project management processes of their own, encourage them to use your processes and tools. This will make the running of your projects much easier, and you can train the client to work with the tools in the way you need them to.

⁷ <http://www.basecamphq.com/>

⁸ <https://www.yammer.com/>

⁹ <http://www.atlassian.com/software/jira/>

¹⁰ <http://www.tomsplanner.com/>

The key to successful project management is always communication. Having tools that provide transparency and the ability to collaborate is crucial to meeting deadlines and reducing the impact of any problems that arise. Any tool you choose should:

- be online
- be open to your employees and clients, both internally and externally
- have the capacity to generate status reports, and identify issues and risks that are arising in your projects



What if the client doesn't want to use my project management tool?

If your client doesn't want to use your process, or the tool that you've chosen, perhaps contact them weekly to find out their progress and add the information to your PM tool. Or, you could simply ask them to send you a weekly email with a status update, which you can then add to the tool.

Your Website and Social Media

In web design, nothing looks worse than a web company's abandoned site. It makes prospects think, "If they can't look after their own online presence, how are they going to look after mine?" All the same, it's difficult when you're running a business to take time out to focus on your website.

The solution is to incorporate maintaining your online presence into your business process.

Every time you finish a project, ask the client for permission to use the project as a case study on your website. Make the project completion process include writing up the case study, so that you can use it online and elsewhere. If you have a blog, create a rule that you and those on your team must update it once a week; likewise, if you use social networks, update your status at least a few times a week.

My staff have access to the business blog and Twitter account, and are encouraged to make updates whenever they have value to add. You may even find it simpler to bring in a dedicated team member for a few hours a week to maintain your website. Ultimately, though, updating will be easier to achieve if you make the information-gathering process part of the business process.

You must keep your online presence professional. Building and running websites is obviously one of your business's core capabilities, so use whatever services and tools you like to make maintaining and updating your online presence as easy as possible. And when you're making those updates, speak in your prospects' language, and on their terms. Re-

member, though, it's not the names of technologies that would make them excited about working with you; it's the results you can achieve.

Summary

In this chapter, we've stepped through the key processes that you'll need to keep your business operations on track.

First up, we looked at time recording and billing. We saw how they'll help you manage your costs and profitability using accounting tools, and ultimately empower you to take actions so that your business survives and grows. Then we looked at customer relationship management tools, and discussed the ways in which they play into business and pipeline management efforts.

We also discussed project management tools as an indicator of early warning signs, and as a means for forging close working relationships with customers. Transparent work processes will support your professionalism and highlight the accountability of every person on the project—including your client.

Finally, we saw how important it is for you to maintain a healthy, lively online presence through your own website and social networks. For many businesses, making the gathering of content for publication on the company website a part of the business process is the easiest way to ensure their online presence never flags.

Chapter 8

Key Relationships

It's often said that business is built on relationships. The relationships you make have the potential to ruin you—or take your business to great heights. You'd better choose wisely.

In this chapter, we'll look at two broad categories of relationships: internal relationships and external relationships.

For internal relationships, we'll ask the questions you need to answer in order to plot out a company culture. Once you've done this, you'll be in a position to make the right hiring and contracting decisions, and find good business partners who can help you grow your business.

We'll then turn our attention to external partnerships, providing some criteria for selecting key business advisors like accountants and lawyers, and exploring the value of finding good business mentors.

Internal Relationships

The most important internal relationships you'll have while running a web design business are those you establish with your employees, contractors, and business partners. When you're delivering projects, you rely on a combination of your staff, freelancers (potentially), and business partners. These relationships are what gives you the capacity to deliver, so developing strong internal relationships is at the core of business growth.

People growth will always precede business growth. If your people and internal relationships aren't developing and growing, your business will be unable to move forward.

With the staff who work in your organization, you want to establish a method of working together as one. Everyone on the team needs to understand what your business is about and what roles people play. You need to develop a culture within the organization to provide the ground rules; these should allow your business to move forward and be resilient in the face of any problems that you might encounter.

The relationships that you have with your staff will be absolutely transparent to your clients. If your staff are unhappy in their work or environment, or in their relationships with other team members, your clients will see that immediately. And ultimately, your client-facing employees will become your most valuable assets in terms of winning new work, building client relationships, and so on.

Establishing Cultural Values

When you're starting out, you need to ask what sort of culture you want in your organization. Here are some of the questions you should consider:

What sort of people will you recruit?

In my business, we have a cultural statement that says "We recruit and retain the best," and we refer to this as we recruit new team members.

What style of communication will you encourage?

My business's approach to communication is encapsulated in the phrase "Talk straight." We respect the right of anyone in the organization to have an open conversation. It's not an invitation to be obnoxious, just that we have a responsibility when we see a problem to discuss it with the people involved.

How will you interact with others on a daily basis?

Our cultural statement on this point is "Empower and trust." We believe that we hire the best, and have open communication, so as an organization we need to empower these people through training, information, and so on—and then trust them to do the job they've been given. In an open communication environment, the trust works both ways: people don't feel scared about asking for help or advice.

How will you develop your staff team?

The statement we use to reflect our approach to staff development is "Continuously grow and improve." This works at an individual level, but also applies to the way projects are undertaken overall. We know that when we start a job, we may fail to get

it right the first time, but we have an inbuilt culture, supported by processes, that lets us regularly look at what's working and what's not, and think about how it can be improved. After a project, we'll have a meeting where we ask how we could have done the same work in 50% or 25% of the time we took. These kinds of "impossible" challenges force us to think outside the box and innovate new ways of working, which we can trial and adapt to future projects.

What's your attitude to competition?

I've often heard web designers say that they're so excited they were invited to tender. Our cultural statement is simply "Play to win." If we don't think we're going to win a pitch, we don't go for it. If we lose a pitch, and it doesn't hurt, we believe we probably shouldn't have pitched in the first place. The cultural attitude is that we should play to our strengths, and that's been embedded throughout the organization—it's crucial to establishing a culture of success.

What's your attitude to your reputation?

We have a cultural statement that says "Aim to be famous." That works at an organizational level—we want to be seen as a pre-eminent organization in the areas we work in—but also at an individual level. We ask our staff "What is your fame agenda?" This encourages individuals to think about what area of eminence they want to grow and own within the organization. In this way, we start to develop eminence across the whole organization.

How will you recognize achievement?

We say "Have fun and celebrate." This encourages us to enjoy what we do, and to look after each other. If a staff member isn't having fun, it's recognized, and we see what can be done to make their working life more enjoyable. When we achieve success, we like to take the time to step back and smell the roses—to enjoy the fruits of our achievements.

While the cultural statements mentioned here might be fine for any professional services business, you need to think about the kind of culture *you* want to develop in *your* organization. What statements or concepts can you use as points of reference as you make everyday decisions in your organization? Over time, you'll find the cultural values you establish can become the linchpins of your organization, and the foundations of your culture.

Creating cultural statements or norms, and sticking them on the wall or on your website is one thing. Living those values through your work is another. Encouraging the people who work with you to adopt those values and apply them, then overseeing their application

in your business is what builds a culture, and what will make your organization persist and grow.

Cultural Values and Your Staff

If you're growing fast, you're going to make mistakes. Often, those mistakes will be hiring errors. The worst thing you can do once you've realized you've made a mistake is to do nothing about it, or try to delay acting. Hire for culture first—you can develop capabilities in the right people, but it's difficult to change mind-sets and attitudes to your organization's culture. A team member who doesn't fit into your culture can be like a poison to your business—avoid this risk.

Involve the team when you're hiring. As your business grows, they'll likely have a better idea than you about who will fit the culture and who won't. Once, we hired a new project manager for my business. She started on Monday. I was interstate for a few days, so on Thursday I went to see how she'd settled in. Another project manager came up to me, and I asked her how our new starter was faring. "She's gone," said my colleague. "What?" I asked. "What happened?"

My project manager explained that during the job interview, our new recruit had told us all the things she *could* do. But once she'd started work, all she talked about was what she *couldn't* do. The team had met with her at the end of the third day and told her they didn't think the situation was working. She agreed and left.

In this case, we'd made a poor hiring decision, but the team felt such ownership over the culture that they dealt with it themselves. This kind of situation engenders ownership of the organization among staff, as they take responsibility for its welfare and success. If you can establish your staff as a self-cleansing unit, you know you have a really strong culture, with the right kinds of internal relationships in place, and a great platform for success.

The key to building such a strong culture is transparency. If the owners are transparent about the broader business strategy and results, the opportunities that are emerging should be clear to your employees. You should be having regular employee meetings once a week, fortnight, or month—whatever suits. In those meetings, discuss the broader objectives of the business.

It's very easy for employees to be caught up in their own worlds, and lose sight of the bigger picture. As the business leader, remember that you'll need to say something over and over to staff in order to embed it in their minds. Present the business's results in terms

of its goals, so that all the team members understand and can buy into the business's success.

You'll never be successful singlehandedly—you need your staff, and you need them to buy into the organization's journey. Your ability to be transparent, honest, and factual is a very powerful way to retain employees and help them grow and understand what they're part of.

Remember also that staff will gauge your mood. They'll consider what you say, and whether you live up to those goals. A key part of establishing the culture is your actions, expressions, and moods, your reactions to problems, and your management style. No matter what you say about your culture, your behavior will play a large part in what develops. The most important characteristic for a business owner is integrity—and your staff can see it. A bad attitude will fester throughout your organization, impacting your staff culture as well as the type of clients you attract. Integrity and trust are what make businesses succeed in the long term.

Contractors, Freelancers, and Culture

Frequently, you'll find a project calls for a specific skill that you lack in your organization, and you're not in a position to recruit for a full-time role. You need a contractor or freelancer.

When you're dealing with skilled outsiders, ask the same questions about whether potential candidates will fit your culture: do their values reflect your values, and will they be able to follow the processes and approach that will enable them to work as part of your team?

As your business matures, your employees may go out and set up their own small businesses. We've found that the best contractors we have are our own ex-staff who are now freelancing or have started their own businesses. Often, we'll send these individuals work that's too small or inappropriate for our business to complete.

The key with contractors is not to cut corners just because you need the skills on board. Recruit them with the same care and to the same standards you'd apply to hiring a permanent team member. Make sure they'll fit in, and have the same approach to clients as your team does—as well as having the capability to complete outstanding work.

With time, you should be able to build a database of contractors and freelancers who you know work well with your team and clients. This resource will allow you to expand the footprint of the work you're doing, as well as its volume, without having to shoulder the

burden of extra full-time wages. As you can see, it's crucial that you choose contractors and freelancers wisely.

External Relationships

Over a period, you may find that you need to build partnerships with other providers: software providers, hosting companies, and so on. Few beginning web design businesses have the full capability to provide end-to-end services to customers, so you'll likely need to choose some business partners at some point.

The key considerations around choosing partners include:

- Are they flexible?
- Do they listen to you?
- Can you have open conversations with them?
- Will they support you in preparing proposals for new work?
- Do they refer clients to you?

Rather than having relationships mushroom at random, try to think strategically and ahead of time about the kinds of skills or services you'll need. Then seek out a couple of suppliers in each category who have compatible cultures, will reciprocate with work, and so on. These networks can help you very quickly scale up your business for minimal risk and investment.

Advisors

Your business won't operate in a vacuum. As we saw in Chapter 2, you'll need to develop key external relationships with an accountant, a lawyer, and a bank manager.

The key criteria you should use to choose these relationship partners are skill and knowledge. The person you choose should have skills that you lack, but they must also understand the business you run. When you're seeking a lawyer, look for one who works in the technology industry, or is used to working with web development companies. The same applies to your accountant, banker, and mentors. Trust will always be a key part of these relationships, in terms of your comfort in having valuable, frank discussions with them about your business. You also want to ensure that they're interested in seeing you succeed—not just in having you pay larger fees.

In assessing a potential advisor, ask yourself:

- Do I like them?
- Are they interested in, and curious about, what I'm doing?
- Are they more focused on my problems or their fees?
- Can they add value beyond their technical capability? For example, can they advise me of industry developments, help me run my business more profitably, and so on

Business Mentors

One of the problems that you face when running your own business is that often there's no opportunity to find someone to talk with about the issues you face. You may not necessarily want to talk to your staff about how you feel or what's concerning you. A business mentor is really valuable at these times: you can have an open discussion in an unemotional state about the issues you face. Remember the old saying that a problem shared is a problem halved? Frequently, challenges that seem like a mountain to you will be old news to—and easily overcome by—your business mentor.

As such, they can become a really valuable sounding board for your troubles, as well as new ideas and possibilities. This person could be your accountant, lawyer, or bank manager, but it's useful to have more than one mentor. I'd suggest that your key advisor relationships are important, but look beyond these to find another business owner who's been successful and might be interested in mentoring you.

People who've been successful like to help others, so don't be shy about approaching a potential mentor. You may only see them once a quarter, and often they'll only be too happy to help. It's useful to find a mentor from your industry, but you can also learn a lot from people outside your industry; you can take their approaches and adapt them to your own operation.

What you'll likely find is that 80% of the business problems you face relate to people—staff and clients. People outside your industry can provide a fresh perspective on these issues, so it's good to balance an industry mentor with one from another walk of life.

Summary

This concise chapter has tried to give you food for thought around the topic of business relationships. As we saw, the right business relationships can help you found, run, and grow your organization. They can also beget extremely satisfying, worthwhile experiences throughout your life. Take care to choose the right people to partner with.

We began this chapter by discussing internal relationships, and covered the task of developing your organizational culture in detail. We also discussed some examples of culture in action, and saw how it should impact your freelancer, contractor, and external supplier relationship strategies.

Then we looked at the key criteria you should review in choosing an accountant, lawyer, and bank manager for your business, before discussing the value that caring, engaged mentors can add to your business.

Good relationships don't happen by accident. They take time, commitment, and mutual enthusiasm. Now you've read this chapter, you're on the right path to systematically and intelligently building internal and external business relationships that will help your business succeed.

Chapter 9

Marketing Your Business

The way you market your business will be fundamental to your success. It will affect the types of clients you attract and work you do, and, ultimately, whether your business can grow sustainably in the long term.

There are countless forms of marketing and approaches to this topic. The one I'll outline here is the one I believe in most strongly: relationship marketing.

As you'll see in the coming pages, your enterprise is a professional services business. Once you've identified what, exactly, your particular business is all about, and who's in your market, you'll need to commence marketing in a professional services sphere. As I'll explain, the way to do that is to build relationships.

Along the way, we'll develop a positioning statement for your business, and show through example how *not* to market your business. I'll provide you with the perspective you need to develop a natural, largely self-sustaining approach to marketing your web design business. Let's get into it.

What is your business about?

Having taken the step to start your web design business, you need to know what it's all about. To communicate your business in the market, you'll have to be able to tell people why they should work with you. By answering this question, you'll work out your position within the market, helping you to win the sorts of work you aspire to.

When I ran a large web development company, our market positioning statement was: “Driving success through technology and innovation.” What we were saying to the market was, “We’re actively engaged in doing work that’s going to make you successful, and the way we do it is through technology and innovation.”

We used the positioning statement in all our marketing materials and on our website, so that people would see the tagline, and understand what we did. Instead of thinking, “This company builds websites,” they understood that we’d help them achieve their objectives through technology and innovation. We came up with this positioning statement because we felt there was a gap in the market for a strong business approach, and applied the capacity for change within the web world in achieving great results.



The Positioning Statement Litmus Test

Often, when people are writing positioning statements, they feel that using big words—and lots of them—is the way to go. But they’re really only boosting their own sense of importance. In my business, we believe that if your mother or partner—a person who doesn’t work in the industry—can understand them, you’re on the right path. Once you’ve come up with a statement that you think will work, run it past them.

This approach became our clear differentiator in the marketplace. When we met with clients, I’d ask them what their business strategy was, and what results they were trying to achieve, as opposed to asking what they wanted in a website. Every client commented that this was a vastly different approach from the other players in our space. Our competitors spoke to prospects about what they did, rather than why they did it, or how it would help their clients.

Think about what really sets you apart. What would make a client say, “They’re the people I want to work with!”?

You may decide to specialize in mobile app development, so your positioning statement might be, “Successfully leading you into the mobile web.” Again, this focuses on what you can help the client achieve, rather than your specific skills. Many clients who are moving into the areas of social media and mobile applications are unfamiliar with those fields. They want to have a safe pair of hands guiding them on the journey into those areas.

This is why the question “What is your business about?” is so fundamental, and why you should thoroughly explore it before you make any noise in the market.

When you're deciding what your business is about, make sure you have the capability to deliver what you promise. Beyond that, ensure that you have the means to take the client from where they are today to a place they were unsure they could arrive at in a painless and exciting way.

Never lose sight that projects can be really exciting for clients. They're trying completely new things. This is often the main outlet they have for innovation, so they've been known to put a lot of emotional investment into it. Delivering an outstanding result creates the opportunity for them to become your best advocates, and drive your business forward.

Who's in your market?

Next, ask yourself, "Who's in my market?" In this phase, establish which companies you want to work with, and decide how you'll approach them.

When you're looking for companies to target, be strategic about your choices. Choose companies that you feel really suit your business goals and capabilities—clients that will drive the long-term growth of your operation.

Look for clients who are seeking interesting projects to generate good revenues. These will become your business's underpinning or anchor clients. Be on the lookout also for clients who may be willing to push the envelope in terms of the projects they'll bring to you. They could become lead clients, who you can experiment with and cut your teeth on bleeding-edge projects. In every case, look for clients who will help grow your business in the long term.

Once you've decided which companies you want to work with, ask yourself if you know anyone who works for those organizations.



Use LinkedIn to Find Contacts

Okay, so perhaps you don't know anyone who works for the company you want to approach. That's fine. Log in to your LinkedIn account and search around to see if any of your contacts know any people who work for the target organization. If you're still out of luck, start asking around your networks; someone may know someone, and may be happy to give you an introduction.

If you do have a contact in the target organization, have a casual chat over coffee with that person. Treat this as a fact-finding opportunity, not a sales meeting. Having researched what you can about the organization, try to find out what you *don't* know; for instance, how does the company manage web projects? Do they use external providers for technology

projects? Share some of the ideas that you have with the contact—from your past experience, as well as the research you’ve completed on the organization.



Targeting Takes Time

You might spend six months building relationships within target organizations before you spot a chance to propose work—but it’s worth it. Careful targeting is an extremely important aspect of developing your business over the long term, so go about this task strategically, and with your business’s future in mind.

Too often, web companies think that the path to their next job is through a prospect’s IT department. This is one of the most fundamental mistakes you can make. The problem is that if an organization with an IT department is calling in a web company for some work, it can often leave the IT department thinking, “We’d have liked to do that job, but the bigwigs don’t think we’re good enough.” For this reason, the IT department won’t necessarily be your best friends. In fact, we’ve found that many of our larger clients ask, “Do you have to talk to the IT guys?” And they’re always relieved when we say no!

Your market is generally going to be a person in a client business who’s been charged with achieving a result or outcome for the business. It’s likely to be a person with a different set of skills and background experience to you.

When you’re thinking of who’ll be buying from you—it could be the CEO, the head of marketing, the sales team, the customer service people—remember that they don’t come from your world. They don’t speak the language of bits and bytes, of ones and zeros, of PHP, ASP, and Cocoa. Your ability to communicate simply and establish a broad level of understanding, regardless of a person’s technical background, is another extremely powerful way to differentiate yourself from the competition.

Marketing Professional Services

You want to build relationships with clients who will continue to give you more work, as well as be your advocates, to help you grow and win new clients. As you think about marketing your business, consider which relationships you’ll need, and which roles in an organization will actually buy your services.

A traditional approach to business marketing takes mass marketing models—such as advertising, direct mail, cold calling, and so on—and applies them to professional services businesses. But this can take much work, and cost a lot of money, without delivering the sorts of clients required to build a sustainable business.

When you've identified the sorts of people you want to build relationships with, think about where they congregate. Do they have an industry association? What sorts of magazines do they read? Which books would they read? What blogs would attract them? What websites do they use? Are there social media forums where they interact?

Next, ask yourself how can you get involved—and in touch—with people in those markets.

What Can You Bring?

When you're seeking to build a relationship, one of the focuses of your efforts should be on what value you can bring to that relationship, rather than what value you can extract from it. Relationships work when you're prepared to give, rather than simply trying to close the sale from the first conversation.

I've found that we've had tremendous success through activities like public speaking, industry events, and forums. They may be large conferences, or speaking at the monthly breakfast of the local marketing association. Build relationships with journalists and bloggers who operate in the areas where your target audience clusters; it's another way to communicate your message and thoughts directly to the people you're seeking to build relationships with.



Marketing Is Not Selling

It's necessary to understand that there's a big difference between marketing and selling. When you're marketing, you're looking to build your brand and build your eminence, prompting people to say, "If I'm thinking about this topic, I need to speak to you and hear your thoughts on it." You want to reach a position where those clients want to see the work you've done for other clients in their area of interest.

To a large extent, the marketing of your business is about building a network of relationships with the right people, and finding ways that you can make a valuable contribution to those networks. This could be through **thought leadership**—in other words, becoming recognized for your innovative ideas—or through engagements with relevant communities, preparedness to answer questions, and willingness to become a hub for people within those industries.

In a web company I ran, we had two forums that we convened ourselves: a chief marketing officers' forum, and an ecommerce forum. What we did was bring together clients and non-clients to talk with their peers about how the Web and mobile technologies can help their businesses and online sales. Were you to run similar forums, you would be at the forefront of the minds of those who you're seeking to build relationships with; it also

shows that you're giving back, and allows you to build relationships in a much more organic way than could be achieved through a hard sales approach.

Grasping Marketing Opportunities

Successful marketing is rarely the result of what you say about yourself. It's more likely to evolve from what others say about you and your company. The strongest impression you can leave on a client will be the experience they have with the people in your business, particularly those they deal with on a day-to-day basis: your staff. Hence, one of the most powerful forms of marketing you can do is to ensure your people develop a passion for client service with a strong focus on results.

There's an old saying in the professional services world that you're only as good as your last job. Ensuring that every job you do creates an outstanding customer experience which, in turn, encourages your clients to promote you is a great way to establish your business.

As with other relationships in life, you want to avoid your relationship representing a burden to potential customers. Have frequent touchpoints—regular opportunities to meet up, or occasions when you're providing insights or tips. These days, with the proliferation of social media, it's a lot easier to achieve these touchpoints; for example, write a blog or tweet the information you're researching.



Blogging Your Tweets

Recently, I gave a talk on social media and communications, and the Twitter stream from the event was fantastic. Instead of writing a blog post about it, I took some of the most valuable pieces of information from that stream and dropped them into a blog post. It was simple and quick, acted as a sort of testimonial for my presentation, and supported my positioning as a social media expert. Could a tactic like this work for you?



Podcast, anyone?

Consider creating a regular podcast that you can distribute among peers and contacts in the industry. Podcasts are proliferating in the tech space—and with good reason. Creating a podcast isn't difficult—see 8 Professional Podcast Production Tips¹ on sitepoint.com for a quick-and-dirty introduction.

¹ <http://blogs.sitepoint.com/2008/11/03/8-professional-podcast-production-tips/>

Speaking at industry forums creates the opportunity to bump into the people who you've established relationships with. Run events yourself to give contacts the feeling they're gaining value from you. These are really strong ways of maintaining contact without creating a high level of obligation, either for yourself or the potential market. Over the last year, between public speaking, events, and social media, I'd have put my message in front of tens of thousands of people, many of them being hubs of information for people within their networks. That's a lot of valuable exposure for minimal dollar cost. It's smart marketing.



Make a Video

Next time you're speaking at an event, have a colleague or friend video your presentation to use on your blog. Video is among the fastest-growing segments on the Web, and once you have a video, you can reuse that content in pitches, send it to clients, and so on.

As you participate in more public speaking and events, you'll quickly work out where the hot spots are within industries or segments for gaining great contacts: people who get what you're saying, and are excited enough about it that they'll likely advocate on your behalf. We noticed this recently, when we spoke to a group of marketers, and then to a group of entrepreneurial CEOs. For the first group, the reaction from the audience was one of inactive interest: they were just there to take the information in. The second group, on the other hand, were sparked into action by the information we presented. By the afternoon, many were coming over to tell me that they'd already taken some of the information I'd provided—on researching competitors via Twitter, for example—and acted on it. Now their minds were alive with ideas that they could apply in their own businesses ... perhaps with our help.

Relationships really matter in service businesses, which is why public speaking and personal advice are so valuable for your marketing efforts. In this game, the old approach to marketing is much less effective than a sharing, relationship-focused philosophy.

Example 9.1. How *Not* to Do It

Most US-based software companies do their reporting on a quarterly basis and pay salespeople commission every quarter.

The result? In the last two weeks of each quarter, a software salesperson will call you every day, saying things like, "I really need you to sign this contract. I'll offer you a special

deal if you go ahead with this offer.” Two days later, they call again with, “What are you doing? Are you going to sign?”

What quickly happens is that businesspeople avoid these calls. The calls add no value to us; they’re all about the salesperson chasing an increased commission check. The closer it is to the end of the quarter, the more desperate the calls, emails, and SMS messages become.

Any client interaction that focuses on what you can get from them, rather than what you can give, will destroy relationships, rather than building them. And any type of contract that makes the client feel you’re trying to force an obligation on them becomes quite destructive.

Example 9.2. How to Do It

In my business, we say, “We don’t sell, clients buy.” I recently gave a presentation to a group of CEOs about how the mobile web could help their businesses. An audience member was particularly excited about the opportunities I could provide to not only his business, but also to his network.

Shortly after the presentation, he called to say he’d like to introduce me to a friend who ran a prominent fashion business. I went and met the owner of that business, who had just launched a new website. Clearly, the opportunity for me to win work from that client was fairly limited. However, there were a few basic tweaks that they could make to their website to really improve its sales, and ways they could use social media to engage with their customer base and drive more activity for them.

Within that hour, I gave them a range of free advice; namely, how to entangle their website with Facebook and Twitter, and use this media to create more of a conversation with their customers, as opposed to simply offering cheap deals. I also introduced them to an innovative player in their sector who I thought would give them a few ideas.

I walked away from the meeting with a gift voucher, and a very excited CEO contact. While I didn’t win any work from them, their feedback to my initial contact was so glowing that he was encouraged to introduce me to another business. This subsequent business was a long way behind in terms of their website marketing, and had yet to embrace social media—despite having a huge customer base and loyalty program. It was this business that turned into a client for us.

The key lesson here is that I'd made a contact with a strong network who was excited about what I was doing. He introduced me to a friend of his in business, and even though there was no opportunity for me, I gave him as much help as possible in the hour we had together.

The first hour of time I give away for free will always be the highest-value hour the contact has with me. Don't be afraid to tell them what you know, and help them however you can. Focus on doing good, even when you're spending limited time with a contact. That's how you bear fruit through relationships.

When I started working in professional services, I had a boss with a very eclectic network of contacts. Initially, I failed to see the value in this. He used to live by the mantra that he'd give anyone who came to him half an hour of his time. This approach had helped him build such a diverse network that referrals for any work remotely related to what he did came straight to him—all because he'd spent so much time building a strong, varied network.

As I mentioned above, that first hour you have with a prospect is the highest-value hour you'll give. You're talking at a broad level, explaining what opportunities exist and how they could take advantage of them. In these initial meetings, provide the maximum value you can. Then, when a colleague asks that contact who they should speak to about your field of expertise, they'll recommend you.

I've taken this approach for a number of years, and these days, we'll receive calls from people who say I was spoken of in glowing terms by a person I've never met. Sometimes, we've tracked those referrals back to discover that there might be as many as five degrees of separation between our business and the contact.

Share your thoughts, and be active in your market. Build relationships through giving and helping, with the view that even if it doesn't create work, it'll establish a positive node in your network. This is the way to build a sustaining business where your marketing efforts will look after themselves.

A Plan of Action

Don't be put off by the concept of a marketing plan. It doesn't need to be a 50-page document; it could be jotted on a napkin and stuck to your wall. Over the years, my marketing plans have shifted from being long, boring documents to quick summaries of just a page or two. Do what works in your case, not what the so-called experts do. A two-page summary

might be inappropriate for the next person, who may require more documentation and review. Whatever the size of your plan, there are a few essential points that you'll need to include.

A Mission and an Objective

What is your mission; that is, what service do you provide? What's your positioning statement? Everything flows from your sense of what your business is about, so be clear on this up front.

Next, your plan needs an objective. Make it simple, and make it achievable. For example, your goal might be to grow the number of contacts you've personally met with to discuss their needs by 50% in the next year.

Make your goal as specific as possible—no airy-fairy language like, “My goal is to implement an appropriate range of actions to assist clients in developing effective web-based strategies.” It needs to be simple, easy, and measurable.

Market Profile

Okay, you've set a simple goal. Now, take a look at your market.

Perhaps you've done some research to find out exactly how these companies choose web developers. You may have also asked about their level of interest in web development, and what factors influence the decisions they make; for example, you might find that they're all members of the local chamber of commerce.

To fully profile your market, you might also like to know:

- the size of the market
- market segments
- who the competition is
- the competitors' strengths and weaknesses
- your target market
- their buying patterns (as many businesses are seasonal)

Once you have this information, you'll be better armed to attack that market for the best results. When you start a business, you want as many clients as you can get as quickly as you can.

Competitor Analysis

Complete a competitor analysis using the techniques we discussed in Chapter 2. For each competitor, make sure you know who, what, when, where, how, and why. See how they promote themselves. Review their client list, and think about how you can make a different approach to the market.

Your Marketing Strategy

How will you reach your market? Take a look at the marketing options available to you, and leverage what you know about:

- your target market
- how businesses in your market discover web development firms
- where your audience members cluster
- your relationship marketing options

How will you best reach your target audience in a way that promotes relationship building? If your goal is to increase your network of contacts who you've had face-to-face meetings with by 50%, you might consider a range of approaches: blogging, increasing your activity on social networks, attending—or hosting—industry events, arranging meetings with business journalists in your area, and offering your public-speaking services to relevant organizations and get-togethers, for example.

Channels you might consider include:

- networks (for example, interest groups)
- relationships with other professionals
- events
- your website
- social media
- existing and past clients
- sponsorship
- advertising
- search engine optimization and marketing

It's good to be clear about the areas you want to focus on. Keep in mind, though, that other opportunities may well arise over time. They may be unforeseen, yet offer great potential for developing relationships with new contacts. Let flexibility—and focus—underpin your marketing strategy.

Your Marketing Message

What message will you communicate through your marketing efforts? This is a key consideration—the quality and clarity of your message can mean the difference between establishing your eminence in a given area, and being perceived that you’re out of your depth.

You might start with the positioning statement we developed early in this chapter. Use this to inform everything you do. Every time you speak, write, or meet with a contact, your positioning statement should direct the topics you discuss, the areas of expertise you share, and the ways in which you offer help.

Pricing and Proposing

Price is an essential aspect of the marketing mix. As we’ve seen, your price should be aligned with your costs, but it should also agree with your market positioning, and the level of specialization or skill you provide.

Other questions to consider in a similar vein are the way you’ll deliver pitches and proposals, and how you’ll close each sale. This is about process as much as it is about your business’s unique style—after all, if you want to make your approach consistent and repeatable, so that every client receives the same high level of service, you’ll need to build that into your processes.

Delivering Projects

In the coming chapters, we’ll explore the importance of delivering outstanding projects through an exceptional client experience. Briefly, though, the elements you’ll need to deliver great projects include:

- your project methodology
- your culture of passionate client service
- your commitment to attracting and retaining the most skilled staff
- your approach to post-implementation reviews, client interviews, and continuous improvement

Measurement

You’ll need to implement many different relationship-building techniques on an ongoing basis. Continual promotion via a number of means—your blog, your website, social media, industry events, and so on—is the best way to establish a loyal network of contacts that can lead to referrals, and ultimately, work.

With relationship marketing, measurement can be difficult; you may not receive direct referrals from the people you meet face to face, and even if you do, those referrals may take months to arrive—or longer.

One easy way to gain some idea of the efficacy of your efforts is to look at the prospects in your project pipeline and your contact meeting schedule, and assess how each of these opportunities has arisen. This will give you an idea of the contacts who are your strongest advocates, and the opportunities that are rendering the best results.

For example, imagine you gave two presentations last month. One was on social media, the other on user experience design. Looking at your pipeline, you may find that you've had six contact meetings from the first presentation, and written three proposals. And you've had five meetings from the second presentation, and four proposals—one of them resulting in a signed job. This information may direct your efforts in future. Perhaps the contacts in a particular segment have a strong need for UX design now. Or, if you're focusing on social media more heavily, perhaps the fact that you have no signed jobs suggests that the contacts you're speaking with are hesitant to jump into social media. Maybe you need to hone your communication skills around this topic.

Make a plan to assess your marketing efforts regularly (say, monthly), so that you can address these types of questions, and hone your approach over time.

Summary

You're running a professional services business and, as we saw in this chapter, the only way to sell in this environment is through relationship marketing: building a strong network of advocates using the most efficient means possible. There was nothing about cold calling, direct email, or honing your golf skills so that you can treat your prospects to a game.

By now, you'll have a clear idea of the area in which you're operating in, and a concise, plain-English positioning statement that explains what you do—even to people outside of your target audience. You should also know which roles within a client organization you're targeting. You must understand who it is you need to speak to, and who will buy your services, before you can accurately target those individuals.

We also spent some time considering the practicalities of reaching those target audience members efficiently and with maximum impact. As we saw, giving freely is the best way to establish a network of people who'll refer you work time and time again. A natural, self-sustaining marketing program? Who doesn't want that?

Finally, we stepped through a short marketing plan that you can use to develop your ideas about relationship marketing, plan your approach strategically, and assess the impacts of the actions you take on your sales pipeline.

In the next chapter, we'll look specifically at your competitive advantage, and see how it shapes—and is shaped by—the work you do. Sound intriguing? It is. Keep reading ...

Chapter 10

Developing Your Unique Advantage

In the last chapter, we discussed marketing your business, but we saved one crucial aspect for this chapter. Understanding what your business is about is one thing. Defining your target audience is another. But identifying—and developing—your unique advantage is vital to your business’s long-term survival.

As we’ll see in this chapter, identifying your competitive advantage can take time and consideration. But once it’s done, it can inform your approach to the market, help you choose which jobs to pursue, and let you decline work without guilt or misgivings.

Identifying your unique advantage is great, but you’ll need to be able to communicate it to clients clearly as well. How will you do that? I’ll provide some tips here, so read on!

What’s Your Competitive Advantage?

Your **competitive advantage** is what sets you apart from the other businesses working in your space and competing for the jobs you’re trying to win. Every business needs to know its competitive advantage. The question for you to think about is, “What is it about us that gives us a unique advantage in the market?”

When you start a business, you’ll often grab any project that comes your way. You’ve yet to build up a client base or track record, so you go out with a shotgun approach, picking up any project you can get your hands on.

Before you do this, try to define your sweet spot. What are you really good at? Maybe it’s building communities. If you’re competing with advertising agencies, they’ll be thinking

in terms of short campaigns, so as a web design company, taking a long-term, community-focused approach could give you a significant advantage in that space. Then, when you're pitching against an ad agency, you'll be able to say to the client, "That approach will be great, but only for three months. We're looking for a long-term strategic outcome, not a short campaign burst. Think of this as a slow-burning fire, rather than some fireworks."

Most web companies and ad agencies out there are ignorant of strategy. At best, they think it's about reviewing campaign statistics, not looking at the client's business strategy and helping them achieve their goals. Instead of taking that kind of tactical approach, make it your business to ask, "Why are we doing this work? What results are we going to achieve for our client? How do I make them persist for the long term, not just the short term?"



Understanding Your Unique Advantage

Just what *is* your unique advantage? Think carefully about this question.

Your unique advantage may be in your capacity to understand the market your client works in. It could be in achieving the results that your client wants using structure and design. It might well be in your capacity to rapidly build and deploy in an iterative fashion, rather than using the more formalized processes of larger competitors. Perhaps it's that your team has multiple language skills.

In any case, you need to understand what you're really good at. It may take you time to complete this reflection and identify your unique skills, and to work out how you'll combine them to deliver a unique proposition.

Other forms of unique advantage are less technology-focused. Yours might be your ability to communicate effectively with clients, the way you collaborate with them, or the way you're able to orchestrate an overall solution even though you may not be responsible for developing it all yourself. It could be your innovative ideas, differentiating you from others providing stock-standard websites and apps.

To some extent, this is a process of discovery, but by focusing on this early in the piece, you'll be better positioned to carve out a strong foothold in your niche, and build a platform for solid growth.

Ask your clients what they think is unique about your business, or how they view your competitive advantage, and make sure you communicate that to prospects. As you determine your competitive advantage, you'll automatically limit the kinds of work you'll consider or pitch for. You'll change your approach from shotgun to rifle, targeting clients you want, and being specific about what you do. In my web design business, we decline to do any search engine optimization or other short promotional campaigns. We knew we could

best deliver outstanding results to clients by focusing on long-term projects, and on business strategy.

By identifying the projects you'll say yes to—and those you'll say no to—you're actually building your unique advantage. Say, "I'm going to be the best in this section of the market," and then find the work that delivers you there. Sometimes, you'll have the capacity to do a job that falls outside your realm. If it's a good job that you know you can deliver on, you'll probably do it. But most of the time, you'll want to be focused on your long-term strategy, and what kinds of work will help to make your business unique, rather than trying to pick up every little job you can.



The Decision-to-bid Checklist

As you're building a successful business, remember that you can define yourself as much by the work you say no to as the work you take on. Before we take on any client, we complete a decision-to-bid checklist. That checklist is fairly short, and asks the following:

- Do we have the capability to do this work?
- Do we believe that the project will be successful for the client?
- Do we have a compatible working culture with the client?
- What's the level of risk in this job?
- Will it be profitable?
- Do we think they have an adequate budget to achieve the results they need?
- Do we actually want to engage in this area?

That last point refers mainly to ethics and philosophy. You may have some cultural traits in your business that are incompatible with other businesses. You may not work for a tobacco company, for example, or a gambling organization.

If you're unable to answer these questions, you need to do everything you can to make an informed guesstimate. Your answers to the checklist will help you identify work that will aid you in defining and developing your unique advantage.

Communicating Your Point of Difference

When I started a web company, most clients lacked a lot of experience in working on web projects. They had no understanding of how the market was structured, or how companies competed. I used to provide the tech/creative matrix we saw in Chapter 2 and explain to them the structure of the market, and where we operated within it.

Whatever technique you use, you need to be able to communicate your point of differentiation to clients using more than simply the positioning statement we talked about earlier. It might be an image; it might be a bullet list; it might be an explanation that you can provide on demand, at any opportunity. However you do it, the message needs to be clear about where you fit.

As an example, one of my business's key capabilities is in user-experience design. So a major point that we always tell clients is that with us, they'll definitely get their return on investment in their website's interface. We ask them about the last time they visited a site with a terribly designed interface, and have them tell us what they did on that site. When they say, "I left and went to another site that was easy to get around," I show them, using their own example as my basis, the value of the creative and usability skills we can deliver—along with the technical expertise their site will require. Again, this gives us a chance to position ourselves clearly apart from competitors, but it does so in a way that's personally relevant to the client.

Before you can communicate your point of differentiation, you need to identify the different segments of the market. From there, you can hone in on what sets your web design business apart from the others operating in your space. You can demonstrate that you understand the client's business strategy, have developed a proposal to meet it, and have devised measurements that will allow them to see how well the solution is working once it's implemented.

Summary

This was a short chapter, but a sweet one. Your unique competitive advantage is the thing that sets you apart from the rest. It's the criterion on which you should never fail—the one reason your clients will always come to you.

In these pages, we saw how important it is to identify your competitive advantage. We also covered the value of distilling it into a single, short plain-English sentence that you could tell to anyone, and have them understand what you mean. It's not always easy to come up with that one-liner but, once you have it, you'll be glad—believe me.

For example, we discussed the impact that an understanding of your competitive advantage will have on your inclination to do certain types of work. We saw that it can affect the pitches you make, and the kinds of work you'll turn away. After all, the work you say no to is as important as what you decide to take on in developing a sustainable business around your competitive advantage.

Finally, we discussed the art of communicating your point of differentiation. As we saw, the way you do this will depend on ... your point of differentiation! But it'll also depend on your personality and strengths, and how you feel most comfortable communicating with your clients.

So, you've worked out what your business is about, identified your audience, defined your unique competitive advantage, and built relationships with contacts. Perhaps it's time to hone those sales skills. That's the topic we'll deal with next.

Chapter 11

Honing Your Sales Skills

There comes a point when marketing moves into sales. Often, when you're having your initial conversations, you're trying to tease out opportunities for you to work with the prospect. The key is to have sharp listening skills, so as to be alert to when the potential client moves from a general conversation into one that shows they're interested in buying from you.

The number one sales skill that you must have is an ability to listen. If you're talking about a concept and the prospect says, "I'm really interested in exploring that more," that tells you that you've hit on something of major interest to them, and that's what they're keen on buying.

If a potential buyer says to you, "Wow, that sounds great. How would you go about doing that?", again, that's a sign that the conversation has moved from the general to the more specific. The prospect is interested in moving forward with you on the project.

So the first sales skill you need to hone is listening. You must be prepared to stop and move from your general thread of conversation to a deeper level, exploring the specific points the client wants to learn more about.

Too often, web design firms go in to do a client pitch with a scripted and scheduled presentation, complete with a series of PowerPoint slides. Then, the client asks a question that indicates they want to drill more deeply into some aspect of the presentation, but because the presenter is more focused on reaching slide 15 than stopping to have the discussion at slide four, the business loses the sale.

Another key sales tactic is to look at the body language of your client. If, as you talk, your client is grimacing as if in pain, it would indicate that you're missing the mark. If they lean forward and start to nod, smile, or indicate a deeper level of interest, that's a strong sign that you've engaged the client; at that point, you should feel free to ask a question.

Example 11.1. Listen So That You Can Empathize

One of the skills I've perfected over time is the ability to listen to a client.

If I go to a client, we'll be having a discussion, and they might say something like, "We've been talking about this stuff here for 12 months, but we just haven't been able to get traction internally." I'll say, "So you've probably worked out your strategy and what you're trying to achieve; then you've talked to your IT team, but they're saying they're too busy, and it'll cost a lot. So what they're telling you is that you now need to do a business case." Surprised, they stare at me and say, "Yeah, how did you know that?"

Good listening skills allow me to show that I empathize with the plight of the client, and understand the challenges they're facing. Often, when a client asks to have a meeting, it's because they want to talk about some task or result that they're still grappling with in the organization. That is, after all, why they're going to an external web development firm.

Understanding Sales

It's not really **selling** we want to talk about in this chapter. Forget about yourself, and forget about making the sale. Forget about what you want to sell to prospects.

Turn your thinking around completely, and think this: *you will help prospects achieve the outcomes they want.*

Make that distinction, accept it, and embrace it. If you genuinely want prospects to gain what they want—if you want to help them find the best solution possible—then you'll be more successful at sales.

If you're helping people to get what they want, you're not really selling—you're enabling people to buy. People are *happy* to buy if they think it's their decision, whereas they won't buy if they feel you are talking them into it. This is why the needs analysis process we looked at in Chapter 5 is so effective; it helps you identify what prospects really want, and find the best solution to meet those wants. Only when you know what prospects actually want, can you give it to them.

Put yourself in your prospects' shoes and walk a mile. Think about the issues they'd be considering in deciding who to choose to complete their important web work. How would they assess each supplier? What would convince them to select you above the others? By completing an analysis like this, you can link the benefits of your service to your prospects' desires, and relate the examples of your work that best illustrate these benefits.

If you were the prospect, what would make your offering the best choice? That's what you need to know if you're to give prospects what they want.

Who Should Sell?

Now that we've established what sales *is*, and what it's not, let's think about who in your organization will do the selling.

Rather than have a dedicated business development manager, I prefer to have the whole team be involved in the sales process. Each and every team member on our staff has a sales goal. The individuals don't need to make the presentation, nor hand the client the pen with which to sign the contract; they simply need to be involved in the process of winning work. They might contribute to a winning proposal, attend the pitch meeting, spot an opportunity within a client or prospect's business, and so on.

I find that involving everyone in the sales process supports our cultural values and passion for excellent client service. It also allows us to leverage the entire team's experience, skills, and ideas in conceptualizing and delivering technological solutions to business problems.



Paying Commissions or Bonuses

If you decide to incentivize the sales effort, be careful in the way you implement the program. Don't pay a commission on the value of the sale itself; pay a commission on the *estimated profitability* of the job.

By paying a flat commission on each sale, you may reduce the profitability of your work to zero. This is particularly likely if it pushes team members to discount jobs in order to close deals, so that they can get their commissions.

The Importance of Prequalification

The idea of **prequalification** is simple: you must *qualify* your prospect before you commit the substantial resources required to create a full-blown proposal. It takes quite a few hours to thoroughly analyze a prospect's needs; avoid wasting that precious time. You can't afford to present a proposal to 100 prospects and have only five of them truly interested in what you're trying to sell.

If you prequalify your prospect, you can very quickly establish if that person is in the market, right now, for what you sell—and at a realistic price. The underlying presumption must be that the prospect wants to buy your services. If the prospect fails to meet the criteria you establish, move on. You're in business, and there's no time to waste on people who have no interest in your service at the right price.

Remember: sales is not about manipulating people to do something they don't really want to do. Sales is persuading people to do what they *want* to do.

Key Client Types and Their Characteristics

Usually, when clients start to ask specific questions about a proposal, they'll have one of two motives. Let's look at the two client types in detail.

The Combative Client

The first type is the combative client. Every time you open your mouth, the client objects. "I don't believe we can achieve these results with the proposal you've given us," they might say. Or, "I've seen other organizations in our industry take this approach, and it's never really worked for them."

What should you do with the combative client type? Don't feel you need to fight their arguments, or knock down their objections. Instead, just let them speak. Eventually, you'll find yourself at a point when you feel it's the right time to disagree with the client. Use all your experience, expertise, and knowledge to respectfully explain why you believe your solution will deliver the benefits you've proposed.

Your role with the combative client isn't to disagree with the objections. It's to tease out the arguments and understand what the issues are—where the client's view or experience differs from your own. Then, pick a point where you can say, "I disagree," and illustrate why in a way that addresses all the concerns the client has raised.

Recently, I was making a pitch for a social media project, when the combative CEO said, "This is all great, but our audience doesn't use social networks." "Oh," I said. "Don't they? Let's check." On the spot, I pulled up Twitter and searched for the company name. An enormous number of tweets displayed—there were thousands of people talking about this company on Twitter, and the client was unable to argue with that. There before him was all the evidence he needed that he should be active on social media. But if we hadn't let those objections flow, we'd have been unable to understand the client's concerns—or allay them.

Often, objections are a sign that the client is nervous. They want to avoid feeling out of their depth, or losing face by saying they don't understand something. Instead, they object and attack. Your ability to soak that in and deal with it on a rational level—as opposed to emotional—is key. You must work out what the real issues are, and demonstrate to the client how your proposal or ideas address those issues to support the organization in achieving its goals.

The Enthusiastic-puppy Client

The second type is the enthusiastic-puppy client. This client is really excited by your ideas, and very encouraging about everything you say. Everything's great! What you need to ask at this point is, "What do we need to do to help you move this project forward?"

Frequently, you'll walk out the door after a meeting with an enthusiastic-puppy client thinking you've won the job. What you may be unaware of is that the client needs to obtain internal approval, have a budget approved, or navigate some kind of pathway through that organization to have the project undertaken. With this client type, you need to acknowledge that you have an internal advocate, and begin to work with them on turning the enthusiasm into an actual sale.

When you reach the stage where you feel the prospect is onside, look at what you can do to help move proceedings to a point where they can sign the job on. Sometimes, you'll be speaking to the actual buyer, and that's ideal; at other times, you'll need to win over another person—the CEO, perhaps, or some other internal party—to attain the project.

When you have an internal advocate, it's crucial to find out what you need to do to help them progress the project internally. To do that, you must understand how the company goes about bringing on external providers to undertake projects.

If the prospect needs to present a proposal internally, you might offer to help them prepare a presentation, or offer to help present at the meeting. If that's unfeasible, you might offer to spend some time with them beforehand, in order to see the presentation and coach them on delivering key points in the clearest way possible.

But the prospect is only one part of the sales equation here. You'll also need to understand the mentality of the ultimate decision-makers within the organization.

Considering Decision-makers

Potential clients will base their buying decisions upon a whole range of criteria, including *you*. You can't impress the decision-makers with your skills, expertise, and ability to

understand their needs if you never actually meet them. Similarly, you'll lose the opportunity to identify and respond to what's important to the buyer on the spot, during the presentation, if you're not part of it. A potential client will often have shifting needs and you have to be able to respond to them instantly. If you're not pitching to the decision-maker, you'll be unable to identify what's truly important to the prospects at the point at which they want to buy.

Your contact may be the decision-maker, or they may simply be your access point to reach the ultimate decision-makers. In any case, you need to identify who the decision-makers are, and understand their motivations and concerns. That way, you can address those issues in your pitch and proposal, and give yourself the best chance of winning the work.

Think carefully about the decision-makers for the project. If you're dealing with a creative decision-maker, they'll be interested in the creative process—what's possible, and the creativity of your output. If the decision-maker's a project manager, they'll be more interested in timelines, budgets, collaboration tools, reporting methods, development methodology, and so on. A financial decision-maker will be more interested in your rationale for the quote, the assumptions behind your figures, how they might measure returns at the end of the project, and whether there'll be any follow-on or additional costs once the project's completed.

Often, when you're in a sales process, you'll be dealing with multiple stakeholders. Understanding the way they think—and being able to present information and answer questions in a way that covers their needs—is critical to your success.

If you're required to make a pitch to a broader audience—with stakeholders from a range of disciplines—it's a good idea to talk through your proposal with acquaintances working in those same disciplines. For example, if you'll be presenting to the client organization's CFO, ask your bookkeeper or accountant what concerns they'd have about hiring a web design firm. If the organization's legal representative will be present, call your lawyer and see what information they'd want to understand if it was them making the decision.

Understanding the sorts of questions that the project stakeholders will have is imperative. More importantly, think about providing those answers in the pitch to be presented. When you're presenting a pitch, your audience is always more important than you are. Understand your audience, preempt their questions, and give them the answers up front, rather than waiting until they raise their concerns. This puts you in a much stronger position to win the work. It shows that you've thought about what matters to your prospects, rather than just focusing on your solution. It also indicates that you're thoughtful and empathetic

to their needs, and that you understand their world and the constraints and pressures they face.

The Reasons People Buy

Prospects want to know what you can do for them. Your sales effort must be focused on selling your solution as the best one for these particular prospects. Show prospects how you'll make their lives easier, and they will buy. Show them how you'll make them more money, and they will buy. Make them feel good, entertain them, demonstrate how you'll make them more successful, and they will buy.

There are a number of reasons why people make the decision to buy a service. Let's look at them now.

Selling Superiority

Prospects want to beat their competitors. Leverage those competitive feelings in your pitch. Take a good look at their competitors and tell the prospects that what you're proposing will be better than what the competition has: "John, we've taken a good look at your competition's website, and let me assure you, our vision for your website looks much more professional."

Or, show clients how their competitors' sites currently outrank theirs on Google, and how you propose to reverse that situation. Show them an example of what rankings you've achieved in the past for clients, and then quantify what top search engine rankings would mean to their own business. Show clients how you'll help their business reach—and exceed—its goals.

Selling Trust

It'll probably come as no surprise that prospects are far more likely to buy from you if they feel that they know, like, and trust you.

You can build trust in amazingly simple ways. One of the most common failings in business is that people fail to do what they say they will. If you deliver what you promise, you'll have a significant advantage over the competition. Demonstrate your commitment to keeping your word: tell prospects that you'll send them an email detailing the issues discussed in your meeting, and outlining the next step to be taken. Then ensure you send that email, quickly.

Another key element of trust is consistency. If you're consistent, your clients will know what to expect from you. We saw the ill-effects of inconsistency when online branding

was in its infancy: many businesses created brands via sites like Facebook and Twitter that, while sweet depictions of the kinds of characteristics they wanted to have, stopped short of reflecting the real thing. Be consistent in all your dealings with prospects, and they'll be far more likely to trust in you.

It's really very obvious stuff, yet so few people do it. Simply by delivering on your promises and being consistent, you'll have addressed a couple of issues that your competition probably has yet to even think about. You've demonstrated your professionalism and reliability, and you've shown that you are who you say you are, and do what you say you will. Small details like these can make a big difference to the success of your business.

Selling Enthusiasm

Project your enthusiasm onto the work you do. Your prospects will pick up on your energy, and they'll realize that you'll do a better job because you're enjoying what you're doing for them.

I'm currently working with a company that produces a bottled water, which claims superiority over everyday water due to the addition of various minerals, and a sophisticated filtration process. The water has been in development for six years. The developer of the product was very reluctant to be the front-man for the pitch to major media, as he felt very intimidated and professed a loathing for the spotlight; yet, he really was the only man for the job because of his passion and enthusiasm for his work. Finally, he went forward with the pitch.

The result? The advertisements were sensational! When this man spoke of his pride in developing the water, his enthusiasm shone through like a beacon. Instead of coming across as a magic-potion salesperson, he was seen as a genuine innovator who truly believed in his product.

You've probably been on the receiving end of a salesperson who very enthusiastically talked about his product and what it could do for you. Enthusiasm creates trust, and trust helps sales.

Making the Close

So you make a pitch and the client asks for a proposal. Great! Don't wait two weeks to send the document through: go back to your office and have it prepared that night, or the next day. Send it out to them while the iron's hot. You've had the discussion with the prospect—get the offer to them ASAP.

If we're pitching in a non-competitive environment (that is, not a tender or multi-pitch situation), I'll always send the initial proposal as a draft. We'll tell the client that this is our understanding of what we've discussed: this is the process we believe we should undertake, these are the benefits we expect we'll achieve, this is the price, here's the team, here's where we've done this kind of work before, and here are the results we've achieved.

If they like it, they can sign on the dotted line. Otherwise, if something's amiss in that document, well, the proposal is only a draft—they're free to make changes, update parts, or call me to discuss its contents. I've found that clients who have input into the proposal tend to feel more ownership over it, which can help motivate them to choose us to work with.

Whether they're happy with the initial draft, or we have to work with them to reach its final form, we'll always invite them to sign the agreement. This point is often overlooked by web businesses. We've been in many meetings where the client's enthusiastic and the pitch is well-received. Yet the meeting draws to a close, and nobody asks, "Would you like us to send you a proposal for this work?", or "If we made a proposal on this work, and you accepted, when would you want us to start?"

Those sorts of questions establish the customer's intent; they lay out the next steps that will move the project forward. Strangely, closing the deal is often neglected in web design business pitches, but it shouldn't be. Ask your clients if they want to work with you, and send that proposal over.

Proposal Contents

Too often, we see proposals that are structured in the way that the person presenting them thinks. A proposal written by a project manager, for example, might be all about methodology. But the client has no need for this much detail on methodology; if you must put the information in, add it as an appendix.

When you write your proposal, give them something to say yes to.

- Demonstrate an understanding of the client's business, and that you really understand why they're undertaking the project.
- Show them the journey you'll take them on, and how you'll do it.
- Give a brief outline explaining the roles of each member of your team, and how they'll work together.

- Define the project's timing and the price.
- Include an Executive Summary with all the key information. If your proposal is given to the company directors, they won't want to read a 30-page document. They simply want to know:
 - What are we trying to do?
 - How will this business do it for us?
 - When is it going to be done?
 - How much is it going to cost?
 - Am I confident that this team is the right one for the job?



The Executive Summary

Avoid making your proposal an epic journey where the client only finds out what's being proposed on page 63. Instead, include a clear Executive Summary that the decision-maker can say yes to.

Developing Your Sales Skills

Every time you win a job, you have a chance to improve and develop your sales skills.

As soon as you find out you've been awarded the work, make a time to have a quick meeting with your new client. In that meeting, ask them why they chose you. How were you different from your competitors? Were there any points of the pitch or proposal on which your clients were uncertain? Clients may choose your company for varied reasons; your proposal may not have necessarily swept them off their feet—it may simply have been the best available option at the time.

If you win a job, you must find out why. You must also find out if there are any points on which the client is still unsure. Look for repeating patterns, and identify areas where you can improve.

Similarly, if you lose a pitch, speak to the prospect to understand why you lost. Did your competitors do something better than you? Was their proposal clearer, or did it answer the client's questions more completely?

Reflect on the experience you've had with the prospect and see what you can learn from it. Did they ask a question earlier in the process that you glossed over, or failed to address? Was that question the key to a greater concern which, ultimately, you failed to address? Did you waffle on, rather than addressing their issues specifically?

For each win and each loss, speak to the client and address these issues. It'll help you hone your approach over time, and increase your win rate.

Think of your own purchasing experiences, and assess the good and bad aspects of those. How did the salesperson treat you? When did you feel comfortable, or uneasy? What did the salesperson do to alleviate any concerns you might have had? Learn from every sales experience you have.

Look at the ways in which some of the great salespeople operate—like Richard Branson or Steve Jobs. What is it about the way they communicate that makes them so compelling? Read books on related topics, like human behavior or behavioral economics.



Recommended Reading: *Selling the Wheel*

I recommend you head to your local library and check out *Selling the Wheel: Choosing the Best Way to Sell for You, Your Company, Your Customers*¹ by Jeff Cox and Howard Stevens. It's a great starting point for your reading on sales. Also check out *Predictably Irrational: The Hidden Forces That Shape Our Decisions*, by Dan Ariely.²

When you're looking to build your sales skills, don't base your development on the advice of one person. Do all the research you can in all the situations and ways you can think of. Find out how you can pitch your offerings in a way that makes people want to buy—then sharpen those skills.

This information will help you develop tactics—like the small taste-test process my business has, where we offer clients a small piece of paid work so that we can both gain a feel for each other and our work styles—that can help you get a foot in the door of a new client for minimal risk.

Summary

We discussed in this chapter that, at some point, the marketing effort segues into a sales effort.

First up, we considered the client or prospect you're dealing with. We considered the two ends of the client spectrum—the combative client, and the excited-puppy client—and discussed techniques for handling both types of people.

¹ Cox, J and Stevens, H, *Selling the Wheel: Choosing the Best Way to Sell for You, Your Company, Your Customers*, Touchstone, Austin, 2001

² Ariely, D, *Predictably Irrational: The Hidden Forces That Shape Our Decisions*, Harper Collins, New York, 2008

Next, we considered the decision-makers you'll need to win over if you're to land the job. These may or may not be the actual contacts you have within the organization. As we saw, you need to identify who those decision-makers are, and then develop your pitch to anticipate their questions and address their individual concerns.

We also discussed the all-important close. Avoid being one of the many web development businesses who let opportunities pass because they're too shy to ask if they can send the client a proposal. If you have mastered that task, don't be slow about sending over your proposal, or inviting feedback and input from the client themselves. As we saw, this can make a significant difference to client buy-in, let alone impact your sales success rates.

Finally, we talked broadly about some of the ways in which you can develop your sales skills over time. Relying on the advice of one person, or a single sales philosophy, won't give you the breadth of knowledge you need to tackle all the different kinds of sales situations you'll find yourself in. Instead, research sales as widely as you can, and consider how you can adapt the information to improve your listening skills, prepare more pertinent proposals, and sell more successfully.

Chapter 12

Providing Excellent Client Service

By now, it should go without saying how vital it is for a web design business to have happy clients who will be your advocates in the market. Not only will they continue to work with you, they'll also help you win work with others.

By providing excellent service, you'll put yourself in a position to become your client's trusted advisor. You know you have a trusted advisor relationship when, if you call the client, they'll answer the phone or return your call. Being a trusted advisor isn't about being paid; it's about being the first person your client calls when they have a question about your area of expertise.

Sometimes being a trusted advisor requires you to know when to say no in a way that helps the client achieve their desired result. For instance, if your client calls you to ask for hosting, and it's not a service you provide, you want to be able to pass them onto a contact in your network who can help.

You want to be the client's first port of call for anything related to your field. To do that, you need to act with integrity, provide outstanding service experiences, and build strong relationships built on trust. This chapter will show you how.

The Value of Your Client

The clients you already have are highly profitable to you because there's no need for you to go out and attract them each time you want to make a sale. The more underpinning or

anchor clients you have, and can rely on, the more reliable your workflow will be. As we've seen, that provides a strong platform for business growth.

From a cost and profitability perspective, those clients who have the lowest overhead are your existing clients, because you don't have to spend any money marketing to them, or spend as much time on contracts, negotiations, or the like. If you fail to provide great client service, it will become known within your market, and you'll have trouble retaining clients. On the other hand, if you're smart about your client service and management approach, operating almost in partnership with your clients, you'll be able to plan your business's workflow and growth more easily.

Most businesses won't go out of their way to keep in contact with clients, because they think it's too expensive. Social media has undermined that notion: maintaining client relationships is neither hard nor expensive. We have plenty of reasons to keep in touch with clients—from new staff to new services to industry developments to interesting statistics. The list is endless.

Of course, before you have a reason to keep in touch with a client, you'll need to provide them with excellent client service on the first job—as well as every subsequent project. Let's look at client service in detail.

Defining Excellent Client Service

When you think about client service, think about those people who have provided you with excellent service in the past. What sorts of things do they do? They care about what you're doing. They keep you informed. They understand your situation and do what they can to make sure you achieve the desired outcome. They go the extra mile. Often, they'll add value when you least expect it.



Value Is a Two-way Street

It's not just the service provider who can add value to the client relationship. Where you have a really good relationship, the client can provide enormous value to you in terms of helping you understand their customer base, the objectives they're trying to achieve, where their business is going, what their overall business strategy is, and how they see the Web fitting into it.

The closer you are to your clients, the greater your ability to deliver successful outcomes beyond what you both initially expected. How? Because the client continues to provide feedback and input into the project.

Other ways that clients can add value is to convene stakeholder meetings during the project, so you can gain input from others to whom the project is important. They may provide you with industry information sources, and identify their closest competitors and the companies they admire—so you can look at what they’re doing online and take ideas back to your client.

The best client relationships are two-way: clients can help provide you with the best possible platform for success, while you use your skills to deliver an outcome that exceeds their expectations.

When I’m talking to clients, I often hear how they love to see passion—when a business partner has just as much passion for the project as they do, and actually cares about delivering outstanding results. Ensure that your whole company culture is oriented towards providing passionate client service.

The Benefits of Great Customer Service

There’s a direct correlation between high levels of customer satisfaction and high levels of profit; hence client service should be the linchpin of your business.

Good service matters. Companies that provide the best customer service are more profitable, have fewer expenses, and grow faster. Good service generates increased repeat business and more referrals. Higher customer satisfaction builds loyalty that aids profits. And your clients won’t always want to negotiate on price.

The clear indication is that rewarded, well-serviced customers buy, refer others, and return for more. In turn, here’s what great customer service will deliver you:

- increased customer retention rates
- more referrals
- reduced running costs
- lower marketing costs
- a stronger position in the marketplace
- improved ability to differentiate yourself
- better charge-out rates
- greater profits

Studies also show that if your service is rated as “satisfactory,” the likelihood of the “satisfied” person purchasing from you again is low. The customer must be *delighted*.

What is client satisfaction? It's the perception that you've done something of value that the clients want, in the way they want it done. As soon as the perceived level of customer service increases, your profitability increases. Clients prefer to deal with companies that make them feel looked after; when they feel this way, they're more inclined to continue doing business with you. That's the most important point: if clients don't feel cared for, they won't come back.

Communicating with Clients

Many web businesses fall into a common trap: they communicate to clients in the language of the web designer. It's all about HTML, XML, JPEGs—all the technical jargon of which most clients have no understanding.

When you're communicating with the client, put yourself in their shoes and speak in a language that they can understand.

We often see web companies present project status reports that are pages and pages long. They contain a great deal of technical detail that the client simply can't comprehend. Similarly, many web design businesses feel that the client will be satisfied by the weight of documents and information that's provided. They have a tendency to really talk up the technical aspects of the project, rather than the outcomes. They believe that this shows that they're dedicated to the project and putting in a massive effort. Yet it usually only serves to confuse the client. As well as the language or format being unfamiliar to the client, it's often unclear to them where the information fits into the overall project process, and how it contributes to the outcome.

Usually, all the client wants to know is where the project's at, how it's going, and what they need to do to keep it progressing. For clear communication, speak in the language of the client, so that they quickly grasp what you're talking about.

I'd advise you to speak in plain English, and provide documentation summaries that the client can understand (though you may have the detailed specs and documents at the back). When you take your car for a service, you don't want the mechanic to walk you through the auto manual; you just want to know what's been fixed. Yet many web designers feel that they'll impress clients with technical words and complicated, voluminous project evidence. Instead, focus on providing certainty and understanding to your clients.

Exceeding Client Expectations

In order to deliver excellent client service, it's critical that you go beyond what the client expects. If you exceed a client's expectations, they'll become a major advocate or promoter of your business.

How to do this? Share with them the information you're seeing in the market, or show them articles of interest that relate to the work you're doing together. Invite them to meet other clients who you've completed similar projects with. Share your network with them. All these little things are easy to do, but they add significantly to the overall client experience, persuading the client to become an advocate.



What is the client experience?

Many web design businesses have an internal focus on project delivery, rather than providing an overall client experience. I've often heard web business owners say, "It'd be a lot easier to do this job if we didn't have clients." In focusing on project delivery, you can easily forget about the battles the client's facing. Your contact probably needs to manage internal stakeholders, and while they may be enthusiastic about the project, they may be uncertain about how it's supposed to progress.

You need to step back and think about the nature of the experience you want to give your clients.

One of the things that my company does very early on is bring the project to life for the clients.

To start, we provide a prototype or some mockups so that the client can see something, and have a sense of input into the project. This also gives them evidence to show within the organization that there is progress—and it's a lot more helpful than an 80-page functional specification.

Understanding life through the client's eyes will help you deliver better client service. Try to understand that the project delivery is just one aspect of the overall client experience. This philosophy will lead you to have more satisfied clients, and help keep projects from going off the rails.

Putting It All Together

The key reason a lot of web projects go off the rails is communication. If there's minimal communication during the project, and the client feels uneasy because they don't know the state of play, it can very quickly become problematic. Using tools like regular status

reports and meetings can help you to preempt and overcome any issues that might arise in the project.

I've found that when we're starting out with a new client, it's actually best to overcommunicate. By overcommunicating, you eventually arrive at a level that works for both you and the client; initially, the more communication there is, the better. Clients also want to understand timings and costs, so maintain transparency around the project as it develops; this makes the client experience much more assured and comfortable.

For clients who provide us with repeat business, I schedule regular meetings where we step back and look at the relationship itself. We often have a quarterly meeting with the client, where both parties list the three most positive and the three worst aspects of the relationship as we see it. These meetings provide a nonemotional forum where both parties can look at ways to continuously improve our working relationship. Even if you have excellent client relationships, this approach allows for continual improvement and development.

We've found that this approach cements the client relationship: the investment that they put into you means they'd never think of going to another supplier.

After each project, we also do a post-implementation review—internally, in our organization, and externally, with the client—to see how the experience was on both sides, and to understand what we could have done better. I also follow up a few months after project completion, to see if the project results have been achieved. If they have, we try to ascertain if there are further opportunities for us to work with the client. When the results are particularly good, we complete a case study on the project, which we use for future proposals. If the project has failed to achieve the desired result, we work out what needs to happen to change this. Remember, your business isn't just about completing projects; it's about delivering outcomes.

Client service is something we've all experienced as a customer. When you're the one providing the service, implement what you'd like to receive if you were the client.

Client service can be measured. By setting up a standardized review process that you undertake at the end of a project, you'll be able to see whether you're satisfying your customers and delivering a high level of client service. Collect suggestions from clients about the ways in which you can improve, and learn from your client service interviews; then you can implement changes to your approach that will help grow your capacity to provide excellent service.

When Things Go Wrong

Remember the old saying that you're only as good as your last job? Well, it's true; in business, you'll inevitably have projects that go off the rails. How can you prevent such projects from destroying your reputation in the market?

The answer is to act on any problems as soon as you can. If something's going wrong in a project, both you and your client will be able to sense it. As soon as you do, bring it to the client's attention and see if you can resolve it together.

My business has walked away from just two clients. One of them hired a new project manager who was abusive to my staff, so I decided to end the relationship immediately. Sometimes, events like this can poison a client relationship, and there's nothing you can do about it. Fortunately, that's rarely the case. When you believe there's an opportunity to rectify the problem, start talking with the client as soon as you realize the situation demands it.

Warning Signs of a Project in Peril

Here are some indicators of a project going off the rails:

- The client comes to you and says there's a problem.
- Your project team is telling you that the client's failing to deliver on their obligations.
- Although you agreed on a project scope, the client is arguing that they expected more work than was actually included in the project specification.
- The tone of communication with the client's team is becoming strained.
- Project team members look unhappy or stressed.
- The client disputes a progress payment, or fails to pay an invoice.
- The client refuses to sign off specifications or other project documentation.
- Your team realizes that they're unable to deliver on time or on budget.
- A client escalates an issue to someone beyond the project team.
- Team members say that they want to avoid working on projects for a given client.

My mantra as a business leader is “don’t walk by.” If I overhear a heated phone call, for example, I’ll ask the team member what’s going on. I see my role as sniffing out problems, finding out what the issues are, and seeing how they can be resolved to everyone’s satisfaction.

Rescuing the Project

The most important step in rectifying project problems is to have an open discussion with the client about the issue, and try to understand what’s happening in their world. Project problems always have a cause, and sometimes these causes are standard matters that evolve into emotional issues over time—the project workers start to take an emotional, rather than a rational, perspective.

You need to look past the emotions to the facts: understand the underlying issues and causes, then work out ways to solve them. The problem may be overcome by providing more transparency in your communications. Perhaps you’ll need to help the client to reduce the pressure they’re feeling within their organization. Whatever you do, avoid buying in at an emotional level; your role is to resolve the problem. Usually the problems can be easily fixed, but if they can’t, make the call to end the relationship.



The Client Isn’t Always Right

Avoid falling into the trap of thinking that if there’s a problem with the client, you need to bend over backwards—or change your approach—to solve it. While many problems can be solved by adjusting your process, there may be clients or occasions where it simply won’t work out, because of some issue that arises on the client’s side.

Don’t sacrifice your team—or worse, your business—to hang onto bad clients. A bad client can suck the life out of your business; problem clients may be 20% of your revenue, but 80% of your management time. That’s not a sustainable proposition. No one can afford to have bad client relationships, and not every client will be right for you.

Occasionally, projects will generate a lot of pressure on your team, and matters can become heated fairly quickly in pressurized environments. When this happens in my business, we sometimes create a steering committee for the project; this involves having some senior people from both organizations meet regularly to oversee progress. To get the best work done, you’ll need to take the emotion out of the equation, and let everyone get on with the job at hand.

Summary

As we've covered in this chapter, providing excellent client service is central to your business's survival and expansion. Achieving the status of trusted advisor takes time and commitment; long-lasting relationships don't happen overnight.

This chapter explored the bare bones of client service and how excellent service should be a top priority for any business. First, we looked at the value of providing client service that exceeds expectations, and the ways in which we can exceed those expectations. We addressed the benefits of existing clients, and how they're more cost-effective to source work from and complete work for. These repeat customers can become underpinning clients for your business—and they can help your business grow.

Then we discussed the importance of client research, as well as the challenges of communicating with clients. We then explored some of the key techniques we use in our business to provide excellent client service time and again.

Finally, we looked at the actions you should take when things go wrong in a client relationship—as can happen. The client isn't always right, and some customers will be patently unsuitable for your business. Over the years, you'll become astute at knowing which types of organizations will suit the way you work, but unexpected developments can bring even great relationships to a grinding halt.

As we saw, it's important to act as soon as you know there's a problem. Speak to your client, and see what can be done to rectify the situation. If you can salvage the relationship, you may well earn the client's advocacy.

Chapter 13

Managing Web Projects

One of the hardest tasks that you'll encounter as you run your web design business is the challenge of quoting a job, delivering that project in line with the quote you've made, and creating a successful outcome that's profitable for your business. Tying an estimate of the level of effort you'll need to expend to complete a job to the actual delivery of that project in a way that exceeds client expectations is almost a black art.

The one essential tool you'll need to master this is a project methodology: a set of ground rules that you use to run the projects you take on.

In this chapter, we'll look at why your organization needs a project methodology, and briefly explore a couple of methodologies that are most common in the web development industry. We'll consider the ways in which methodologies can be refined to suit different situations, ensuring that you can deliver projects consistently and profitably.

Why Methodology Matters

To begin to master the art of project management, you need to step back and look at how you'll run your projects, price them, and ensure you deliver on time and on budget with a result that your client wants.

This is the starting point. A methodology will give you a standard way of delivering projects. It will let your team work in a consistent way, and ensure you have regular documentation and project artifacts for each job. It will also help you preempt risks and respond to problems during the project's execution.

In developing a methodology, you need to map out that end-to-end process, considering each of the steps you'll take with your clients. How will you quote, set up a project, report on your progress, and deliver a successful outcome each time? These steps will come to form a methodology that will reflect how you'll run your projects.



Remember to Plan for External Parties

If a project is going to require you to work with an external provider, such as a hosting company, it's important that your process also takes that work into account. You'll need quotes from those providers, confirmation of their availability, and consent that they'll be part of the project management process. As well, it's wise to identify how you plan to communicate with those suppliers and partners.

Web projects typically contain many moving parts, and the earlier you can lock down the details of these factors, the smoother your web project will run. There have been plenty of web projects in which elements like hosting and load testing weren't completed, because they were overlooked during the planning phase.

On the upside, if you can develop good working relationships—and process methodologies—with these external suppliers, it'll go a long way to helping you deliver on every web project you undertake. You'll also be in a position to potentially learn from their processes for dealing with different types of projects or clients.

Of course, the way you go about your project planning will have a direct impact on your project pricing, and your ability to justify or rationalize your project quotes to prospects. It will affect your business's operation, including staff scheduling, project timings, and so on. But it will also make scaling up your operation easier. As your business starts to grow, the common knowledge that your first three team members shared almost innately about running projects will need to be formalized. This is the only way that new team members will be able to follow and apply the same approach consistently.

As you begin to move into more innovative work, or operate in new areas, your project management methodology will become more and more important. Even when you experiment, a sound methodology will help you keep control of elements like costs and time, while providing a proven framework for project delivery.

Common Project Methodologies

There are plenty of popular project methodologies, and any large bookstore will stock many titles in this area. However, the two most popular philosophies at work in the web industry are the waterfall process and the agile method.

In the **waterfall** method, the project's phases are staged to occur sequentially, one after the other. Once the strategy is completed, the project requirements are gathered. Next, specifications are drawn up, then development takes place. The project is built, tested, and finally deployed. In the waterfall methodology, one phase must be finished before the next can begin. This fairly conventional model of project management is well-trying and tested, but it can be slow in terms of delivering a project outcomes.

The other method, which has its roots in the web world, is the **agile** method. Here, the focus is on delivering short, sharp iterations of the project, and learning as you go. So your development team might work to produce a key piece of project functionality quickly, review it, work out what needs to be improved, and do that as a second iteration—which may also include more features, or linking the functionality into a second piece of functionality. They then review that iteration, identify what improvements can be made on it, and complete another iteration. The process continues until the piece of functionality is agreed to have been fully developed.

Most web companies prefer the agile method, but often, you'll need to create a hybrid between the two, because many clients will be unable to deal with the uncertainty that's inherent in the agile methodology. The majority of clients are more interested in understanding the end product they'll receive—and knowing what they're getting for their project budget—than they are in watching a project's outcome become more clearly defined over time.

So, for example, with an an agile method, you might create a budget up front and agree with the client to deliver as many of the the priority requirements as you can through the agile process. While this ultimately may be cheaper and more effective, in many cases it fails to provide the client with the certainty they desire before they sign off on a project.



Choose One!

There's no need to feel you're reinventing the wheel when it comes to project methodologies. There are plenty of approaches out there in addition to the two mentioned here. Do your research, speak to your team—but don't labor this decision. Choose a methodology, and use it!

The starting point for your methodology will be the process you map out for running each job, which we'll look at now.

Project Assessment

Armed with a general idea about the basics of project methodology, let's move through the process stage by stage. The first step that you, as the project manager, must take upon receiving an initial proposal is to assess the project. This assessment typically involves a few considerations.

Undertaking a Risk Analysis

A key part of any project management methodology should involve undertaking a risk assessment up front, before you start the project. You have a project plan to ensure that you're aware of any risks, and that you have strategies to deal with them in case they eventuate. In first reviewing a project, you need to identify and assess the risks involved. My business's assessment includes factors such as:

- the type of business we're dealing with
- the prospect we're dealing with
- the technical expertise of the prospect
- whether there are any technical risks involved, particularly if the project requires us to work with new technologies, or ones with which we're unfamiliar
- our ability to complete the job within certain time frames, and whether there are any deadlines—such as a product launch—that can't be moved
- the availability of the resources required to complete the project
- whether we'll need to rely on third-party suppliers to complete any aspect of the job
- the prospect's ability to pay
- the project's profit potential

Think very carefully about the financial risks involved in areas that you're unfamiliar with or the risks associated with the organization itself. A project for a government department is usually perceived as being low risk, while, conversely, a project for a speculative builder may carry considerable risk.

The risk assessment should be undertaken proactively with your client, but take care when discussing risks with your client. Try to boil client-related issues down to the facts, and speak in practical terms, without emotion. Invite the client to tell you about any roadblocks or problems they've had in getting the project off the ground; this can provide a good opportunity for you to present any concerns you may have, for example, around the risk of sign-offs being delayed in a multiparty stakeholder situation.

A sound risk assessment combined with mitigation strategies is a necessary tool for the success of your web projects. If you hit problems during the project, you'll be able to go back to this initial methodology and identify what needs to change. With time and experience, you'll become better at predicting risks, and at planning such strategies.

Those mitigation strategies—your responses to various risk factors—are a crucial consideration. For instance, if a project required highly specialized work that few people could complete, we'd need to identify the risk involved if the person we contracted to do the work unexpectedly became ill or unavailable.

When thinking about strategies to respond to a given risk, ask yourself the following questions:

- What would our response be?
- What are the repercussions of being without a technical expert?
- What's the worst possible outcome?

Once you understand the risks associated with managing multiple projects, you can establish an appropriate price—one that ensures the ratio of risk to benefit is within a reasonable range.

Methodology Compatibility

Consider the sophistication of your client's project management capabilities, and compare it with your own. Ask your client about their internal project management processes, how they document and report on project progress, and so on. A few simple questions will give you a clear idea of whether the organization uses structured processes, or flies by the seat of its pants.

If there's a mismatch, have a think about how you can introduce a level of sophistication—either to your own organization, or to the client's. If both businesses employ structured processes, you can discuss your methodology with the client and explore the ways in which you can optimize your compatibilities. You may even learn a thing or two from each other along the way.

If the client is flying by the seat of their pants, you have the opportunity to introduce a layer of discipline to their approach. Often, when we've been in this situation, the client has appreciated the input; it's helped them improve their processes, and ultimately become part of a positive client experience for them. So positive, in fact, that in some instances they've hired us to help them adopt a project management methodology across their whole business.

Putting in the planning up front, communicating it, and then obtaining agreement from all parties—your staff and your clients—about how the project will be undertaken will produce enormous benefits. The runaway train project is usually the result of processes and responsibilities not being clearly laid out at the outset.

Preparing to Quote

We talked about how to quote in Chapter 5. But quoting is more than simply putting a price on the project and sending it off to the prospect. Your overriding concern must be your ability to complete the job—and complete it profitably. Following are the steps involved.

Identify the skills you need, and check their availability

Establish the skills and team members necessary for the job. You'll have to plan out the resources you require and understand their associated costs. Once you've estimated the cost, you can move on to draw up a complete budget for the project.

Let's say you're pitching to develop a site that will be ecommerce enabled, and for which you'll write all the content using the bare-bones information supplied by the client. The critical expertise needed to complete this job might include:

- graphic artist
- web designer
- programmer
- copywriter

Your first consideration would be to ascertain which of your staff members have the skills you require. Then, you'd check on their availability for the project, as well as each person's ability to complete the project's components within your required time frames. Finally, you'll need to ensure that you can integrate the various parts of the job smoothly.

Ask contractors for quotes

If you're using contractors, and the talent you require is ready, willing, and available to complete the project, ask them for price estimates. Once the contractor quotes are received and approved within your budget, you can go ahead and quote the cost of the whole project to the client.

The key issue here with quoting is that you communicate your needs perfectly to contractors. There can be no doubt about what the job requires and, importantly, when

those inputs are needed. Quality assurance on each project is critical, and communication with your stakeholders is an integral part of that.

Prepare a simple cash flow budget for the project

The objective here is to identify where your money is coming from and when, as well as where and when it's going out. Your estimates will most likely be based on your industry experience, quotes provided by your contractors, and the payment schedule you'll agree with the client.

Be aware at this stage of the time-quality-cost trade-off depicted in Figure 13.1. A client may request a top-quality job done quickly at low cost, but the triangle reflects that you can only have any two of these factors at most in one job. You may be able to do a high-quality job quickly, but it won't come cheaply. You can probably complete a project quickly and at a low cost, but the level of quality of the outcome will suffer. And you can create good-quality projects at a reasonable price, but it will take time. Keep this philosophy in mind as you prepare to plan any project.

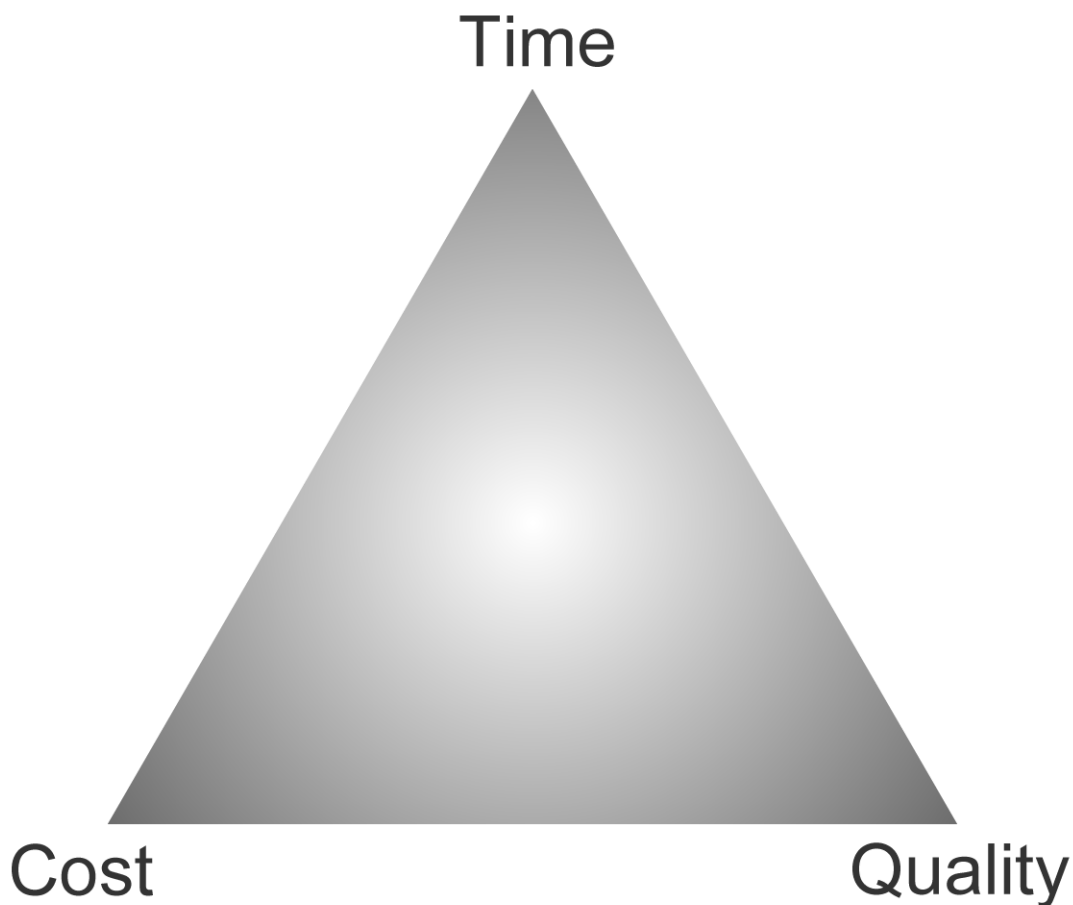


Figure 13.1. The time-cost-quality trade-off

Now that you have your resources lined up, you should have an excellent idea of your cash flow situation. You're in a position to give your prospect the well-thought-out quote we discussed in Chapter 5.

Planning Team Communications

Planning your communication strategy from the project's outset is a must. You need to know how, and when, you'll communicate with your team, and with your client.

Here's a simple four-step plan of the basic approach you might take.

Specify the desired outcomes of the project

A clear set of goals is, of course, an essential part of your communications strategy. Document exactly what was agreed with the client, and have the client sign this document prior to commencing the project. Ensure the client understands that any deviation from this agreement will represent extra work outside the agreement, and additional charges will apply accordingly.

Identify the requirements of achieving your goals

This will help you put together a time frame for action. The requirements and the time frame, along with the related milestones, will need to be clearly documented and communicated to your team and to the client.

Decide on your mode of communication

You know what the desired outcome is, and what you want to say—but how will you say it? Communicating these expectations clearly to your team is a must. With multiple projects, the distribution of information to the various stakeholders can be a significant challenge, so document the lot! We'll look at specific project communication tools in Chapter 14.

Measure the effectiveness of your communications

Are you meeting your project milestones and goals? Measure and tweak the communications process or tools as required.

Working with Time Frames

Another consideration for any project manager, after their staffing and resources, is the project's time frames. As simple as it sounds, working to a deadline involves much more than just circling a date on your wall planner. Let's see exactly what's involved.

Estimating Completion Dates

The first step in estimating project completion times is to conduct a comprehensive review of the project and its requirements. You might find it best to break every component down into its parts, estimate the time each will take, and then add the individual estimates together. Once you have a little experience behind you, it will become easier to assess the time required for different tasks.

When scoping a project, we always plan the time frames separately for each individual part of the job. I use a simple Gantt chart to estimate the time frames involved and the steps to be taken in each project. Table 13.1 provides a basic example of how we might set out a project in the very early stages.

Table 13.1. Gantt Chart Representing Project Milestones

	Week 1	Week 2	Week 3	Week 4	Week 5	Week 6
Briefing meeting	X					
Design outline	X					
Hosting setup	X					
Obtain all graphics		X				
Design draft		X				
Design edits		X				
Design approval			X			
Configuration of scripts			X			
Update meeting			X			
Obtain testimonials			X			
Develop site copy			X			
Usability testing				X		
Training of staff				X		
Technical review				X		
Uploading of site					X	
Launch						X

Although this is a rudimentary example, it shows how you can easily conceptualize your project's progress. Once you list the various components of the job, you can move on to allocate time frames to each component, bearing in mind that some aspects of the project will be integrated into others.

From this point, you can establish an overall time frame for the project's development. Keep in mind these points when you set your time frames:

- Expect the unexpected; always allocate additional time beyond what you think each component will take.
- It's much better to deliver a project early, rather than late.

Once you've developed time frames for all your projects, it's a simple matter to create a comprehensive timeline incorporating the milestones and deadlines for all the jobs you're completing. From that schedule, you'll begin to see where and how you may be able to integrate various components of different projects to lessen the burdens of each job, and take advantage of the logistical benefits that multiple project management provides.

Working to Deadlines

Working within set time frames becomes even more important when you're managing web development projects. Ensuring smooth site development is a matter of pulling together many different components. If any of those components—for whatever reason—are unable to be added to the mix at the precise moment at which it's required, the entire project can come to a grinding halt.

Estimating the duration of an activity is easy enough, especially as you'll discuss each phase with the relevant staff members. The hard part is sequencing all the activity to occur at the required time. As much as we might recognize this, and as much attention as we pay to this goal, it's nigh impossible to always have your team members working in perfect sync. Problems will occur, and they usually do so at the worst possible time. It's a rare project where everything goes perfectly to plan, so expect the unexpected. As vigorously as you may work your team to meet its deadlines, you won't always succeed, so you allow some flexibility for those occasions when it fails to go to plan.

In my business, we do this by providing staff with the brief and a very firm deadline. Within this deadline, we allow ourselves a day or two of contingency for the unexpected. Then, when a problem decides to strike, we can remain calm, knowing that we have some flexibility in the schedule. If you know you have some time to deal with an issue that arises without compromising the efficiency or quality of the site development, you can meet your schedules and provide the best-quality work.

Delegating Tasks

Though we've discussed it in a general sense, effective delegation plays a major role in successful project management—in fact, it's the essence of the task.

Delegating the various roles involved in a project takes a great deal of confidence, and requires communicating crystal-clear instructions. If the person who you're delegating a task to knows exactly what's required, life will be a lot easier.

Here are my eight top tips for delegation:

- Educate the team member about why the task is important—this will help you elicit a firm commitment to the task from that person.
- Set clear objectives and goals.
- Supply the team member with all the resources required to review and complete the task.
- Give the person the authority to do the job; then, leave them alone to get on with it.
- Encourage the person to come to you with any questions.
- Monitor progress at prearranged times and in ways that have been previously agreed to.
- Provide feedback as required.
- Recognize the valuable input and success of the person who you delegated the task to.

Accounting for the Human Factor

If you take time to understand the capabilities of the resources you have available, you'll minimize the chances of projects swerving off track. Control over your schedule, however, requires not only that you understand the capabilities of team members, but that you're able to integrate project components at the appropriate stages of development.

We mentioned the personnel side of risk management in the section called “Undertaking a Risk Analysis” earlier. If you know the skills and ability of each team member, you can be confident about the quality of the project's outcomes. You'll be in a better position to stay within time frames, as you understand the strengths and weaknesses of each individual, and tailor your management style accordingly.

The advice to expect the unexpected in project management is highly applicable when dealing with your team, and your clients. Things do go wrong, people will let you down, and computers do crash—taking valuable data with them. Again, factor in additional time to meet these challenges; if you don't, you'll be pressed for time when disaster inevitably strikes. And when you're under pressure, you're more likely to make mistakes.

Setting Priorities

Successful project management means that the job is completed, to a more than satisfactory standard, on time. To get the job done, you'll need to prioritize its various elements. As project manager, you're charged with identifying the priorities—a fundamental element of project success.

Knowledge is power. As the manager, only you will have an intimate understanding of what's going on with the projects you're managing.

Managing Multiple Projects

Managing multiple projects involves multiple risks and multiple time frames. You must manage multiple team members, multiple stakeholders, and multiple resources. Taking care of all that means your delegation, prioritization, and time-management skills will have to be first rate. Problem solving, lateral thinking, improvisation, and risk taking will all be required as you overcome the challenges involved in the management of concurrent projects.

To effectively manage parallel projects, you must first know the goals of each project. Once you understand these objectives, your success will depend largely on your ability to balance resource management, risk management, scheduling, priorities, and time. The complete process involves six basic steps:

- identify and establish the objectives
- establish what you need to do to achieve these goals
- identify and establish priorities
- establish time frames for the integrated projects
- start managing
- conduct an ongoing assessment to ensure that goals are being met

Running multiple projects requires a solid team structure. I always include the team as a major element of our risk assessment. The quality of the work you produce always reflects the quality of the team you use.

It may be risky to allocate certain parts of a project to previously untested personnel, but we've found this to be a critical component of long-term success. It's a case of always pushing our team, ensuring that each member of our staff are multiskilled, so that we can continue to grow the scope of our business and produce excellent results on each job.

Ultimately, managing multiple projects is no harder than managing just one. Sure, there's more work to do, but, with a clear differentiation between jobs, and an understanding of how they integrate together, multiple projects are manageable. The key is communication. Along with effective delegation and empowering the appropriate people, good communication makes managing multiple projects no different than managing a single project.

Managing Multiple Relationships

Managing the web project itself is easy enough—it's managing relationships that's difficult! Relationship management is the critical component that will have a major impact on a project's success.

Business is about relationships. People will deal with you if they like you, and you'll deal with people if you like them. As you develop working relationships, you'll soon identify what helps motivate the people you're working with. Armed with this knowledge, you can hone your dealings with team members to gain maximum productivity and achieve the best results possible.

Giving Team Members Ownership

It's essential to give your team a sense of project ownership. Not only does this improve the quality of the project outcomes, but it contributes towards a much smoother work process. I try to encourage this sense of ownership by including the whole team when developing the proposal, particularly in the creation of that aspect of the job that's relevant to them. We involve them as much as possible, and provide positive feedback for their input.

We also give team members bonuses on a regular basis for top-quality work. Extra money here, a bottle of wine there ... it all helps create a positive experience for our staff, and promotes a strong sense of commitment to client work.

Empowering Team Members

An empowered person has the ability to make their own decisions and take control of what they're doing. Empowering people within your team, whether they're employees or contractors, can add value to a project and take a load off your shoulders.

Of course, you need to know and trust the person very well before giving them this additional responsibility. Some people thrive on the added trust and freedom, while others don't handle the pressure. As a business operator, I want people who can take the initiative and run with it. We provide the environment for this to happen, but obviously we need to assess how effective it is among the team.

Adapting Your Methodology

It's essential that you have a strong, flexible project methodology, but understand also that you'll likely need to adapt your methodology to suit each individual client and the nature of their projects.

Let's look at what that means for you. Think about the reasons why a client might come to you for help with a web project. There are basically two reasons:

1. They could do the work themselves, but they lack the available staff to complete it; so they need you to augment their own capability with your capacity.
2. They can't do the work themselves, because they have no internal capability in that area, and they need you to provide both expertise and capacity.

In the first case, your organization will likely be in the position of **order-taker**: the client knows what they want, and asks you to build it for them. You take their order, and fulfill it.

In the second scenario, you're the **order-maker**. You need to work with the client to identify what it is that they want to achieve, and how they'd prefer to go about reaching those goals. Then you'll need to prepare an "order"—a project plan—that leads the client through the process of creating an outcome that will achieve their goal.

Identifying your role in the project, as order-maker or order-taker, will help you to define a project methodology that meets both your client's needs for certainty and your own needs for profitability. In effect, your role in the project will help you determine which methodology may suit the project best.

Adapting as an Order-taker

If a client has approached you with a specific project that's well-documented and the requirements are well understood, you'll be the order-taker. Since everything's clearly identified—or will be with a little work—you could run either a waterfall or agile method. This project type may be less flexible, but the benefits are that you're working with a client who knows what they're doing, and what they want, so it's a lot easier to deliver in this situation.

In these cases, running the project can be quite easy. You can work with the client to determine the project methodology and process—along with the timings and deliverables,

the project artifacts or evidence, communication types you'll use for the project, and so on.

Since the client probably has some experience with this type of project, they may have their own processes or methodology in place that they want you to follow. This means that you'll need to adapt your own methodology to mesh with theirs, but the good news here is that most clients will use the waterfall methodology—so there's no need for you to create a whole new approach.

These projects often entail a lower degree of risk than less clearly defined jobs. Your client's prior experience with the project type means they'll tend to take more responsibility for the project specifications, requirements, and so on. Since everything's clearly defined up front, you can easily quote for the whole project; however, these types of projects rarely let you be the best you can be, because the client effectively sets the rules for the project boundaries, and you simply follow them.

Adapting as an Order-maker

Imagine a client comes to you with a more nebulous project; they're seeking an outcome, but they're unsure quite how to get there. Perhaps they've heard the hype about social media and set up a Facebook page, but it's not working that well. They know they want to “harness the power of the crowd” through social networks ... but they have no idea of what that really means for them.

This kind of situation is very different from the one we talked about a moment ago. Here, you're the order-maker, rather than the order-taker.

When our business is faced with this kind of project, we adopt the following approach. First, we recommend a small piece of work that involves creating a project strategy and scope. In the order-maker model, you're going to take the client on a journey, so it's a good idea to produce a road map that explains the process you'll go through with them, and how it will work.



Scope and Strategy Starting Points

When we go into a business as an order-maker, and we're looking to create an initial scope and strategy for the project, the first thing we ask for is the client's business strategy.

Then our clients almost fall off their chairs. So few web developers are interested in making their work support the client's overall business goals, but this is our point of differentiation. More than that, though, it provides a great starting point for us to understand where the client is coming from, and what kinds of results they're after—even if they can't clearly articulate them themselves.

The key purpose of the scope and strategy work is to educate the clients, and provide them with some certainty about the project. It also allows you to identify which project management methodology should be used, and how the project should be run. In proposing a separate scope and strategy phase, it helps you to avoid the situation where the client expects that you'll do that research and leg-work for free in order to formulate a proposal for their web project.

This approach also has one other great benefit: it provides both you and your client with a get-out clause for the job. By providing a scope and strategy first, you ensure that nobody's committed to a large expenditure up front; this is necessary at a time when there's no certainty about the project, and providing a definitive quote or timeline would be almost impossible.

If this is a medium to large project, within that scoping phase we'd create a **project charter**; this sets out the client organization's objectives, our strategy to achieve them, the roles and responsibilities on both sides, the team members who'll undertake the work, the communication model, the ways in which we'll define and measure progress, the project timelines, and so on. All this information combines to let you provide a detailed project quote.

As you're considering the project methodology you'll use in an order-maker model, you should get a feel during the course of the scope and strategy engagement about how the client likes to work. Does the client want a lot of certainty, and require a step-by-step approach, or is the client willing to take an iterative approach where they can get an outcome out the door relatively quickly, and build on it through an ongoing development model? If they're happy to take an iterative approach, an agile methodology is a good way to go. If they decide they want to have a project with a clearly defined start, outcome, and

finish, it would be better to run a waterfall model, even if you run agile processes internally to create each stage of the project.

Your other consideration, regardless of which methodology you'll use, is what steps you'll take in each phase of the project. You'll need to identify the points of contact in the project—delivery dates, the types of deliverables, and sign-off points—that will give you and the client some certainty and transparency about the project's progress.

Communicating Methodologies

You've selected a methodology for undertaking the project—it might be the waterfall model, a hybrid that lets you use the agile method internally while meeting cascading waterfall-style milestones for the client, or it may be a completely agile process if the client's happy with that.

The next step is to communicate that methodology to your clients, and to your staff.

Communicating Your Methodology to Clients

By communicating your methodology to the client, you remove any uncertainty as to how the project will work. You help the client to understand their responsibilities in the project; what they can expect to see as project evidence, and when; and how much work you'll be doing to achieve their desired outcome.

This is why it's essential to communicate your methodology, and the best place to do it is in the project proposal. Avoid leading with your methodology, though; instead, start with an explanation of the way the project outcomes will help the client achieve their business goals.



Setting the Start Date

While many web design businesses may not have all the resources available to start work on a project as soon as it's won, often they start the project anyway, and add resources as they become available.

One piece of advice we usually give our clients in this situation is to delay the project's start date until all the team is available. Ensuring that you've set the project's start date to match the resource availability is a smart strategy that can help you avoid delays and distractions from day one. Starting with a clean slate and an enthusiastic, available team is the ideal way to commence a new project.

As we saw in Chapter 11, the level of detail to include in your proposal will depend on the audience; while some clients will skip straight through the methodology, if there's a project manager on the client side, they'll definitely want to see details on how the project will work. For this reason, you may consider including a detailed statement of your methodology as an appendix to your proposal.



Explain How You'll Handle Change Requests

As you move through a project, invariably your client will come to you with change requests—ideas they've had that they want to add to the project. In my organization, we adopt the mantra: “say no to the reasonable request.” You may think, “it's just one change!”, but change requests can quickly accumulate, adding significant new dimensions and time requirements to a project. For this reason, every request—even the most reasonable ones—are scoped and quoted as separate pieces of work in our organization.

It's so crucial that, as part of your methodology, you have a process for handling and approving change requests and variations. Again, place this information in your proposal so that the client is aware of your expectations and processes for change requests from the outset.

You may find that as part of the engagement process, the client wants to discuss with you how the process will work. They may also ask for aspects of the approach to be altered. That's fine—it's all part of the process—but without putting your methodology forward, you leave the client with considerable uncertainty. That uncertainty can come back to haunt you in the future.



Exceed Client Expectations the Right Way

We've talked about the importance of exceeding client expectations. Avoid doing this through the use of freebies—like change requests—or by cutting corners on your methodology to reduce the project cost. Both measures can lead you very quickly onto thin ice in terms of the project's profitability and, potentially, your ability to deliver.

Instead, exceed client expectations with service. Do it by establishing a really good strategy, suggesting ideas that they didn't realize were possible, and delivering results that blow their expectations out of the water.

Communicating Methodologies to Staff

All your staff members need to know how they'll be expected to work on projects, so it's important that every person who works in your organization understands your methodology.



Everyone's a Project Manager

I believe that everyone in our organization needs to have a level of project management skills as a core competency. If all staff are working on projects, they all need to understand how our project management methodology works. It's not just the job of the Project Manager—you may not be able to afford a full-time PM anyway! Everyone in the team should be involved in managing the project.

First, agree with your senior staff on the methodology you'll use. Then, make sure that when you induct new staff, they understand how the process works, and what sorts of events and deliverables they can expect to see as they work through a project. Ensure that your staff adopt the methodology themselves, understand how it affects tasks like proposal preparation, and so on.

As the team starts to scale, you'll find that items like template documents and other tools will help everyone to adopt, and adapt, your chosen methodology more smoothly. Templates are therefore very helpful in inculcating your methodology across your organization in an operational sense—for freelancers and contractors as well as your permanent staff. A thorough, systematized induction process is also recommended, ensuring that every new starter is on the same page as your existing team members.

Everyone on your team must understand the importance of the methodology as a framework for getting the job done—whatever job that is. If it's well-planned, your methodology should be capable of being appropriate for any project, big or small. In larger projects, you'll likely need to apply the methodology to a deeper level of detail, and in smaller projects you may be able to truncate some aspects of the process. Your staff have to be able to perceive those different needs, and adapt the methodology accordingly. The only way they can do that is by learning the methodology, and applying it in practice.

Of course, over time, your methodology will evolve as your client base and the nature of the work change. I hold regular team meetings in which we review the way our methodology is working on different projects, and consider altering our templates or procedures if we find that, over time, they're becoming less effective.

Ultimately, everyone who works on your projects needs to appreciate the value of your methodology, and understand that although it may add a little to their daily work overhead, that effort will repay itself many times over for them as members of your business. Communicating that at induction, and on a daily basis by example, is the key to creating that understanding.

Keeping On Track and Organized

Of course, once you're managing multiple projects, it can become complicated. You face deadlines at every turn, are swamped in agreements and sign-offs, have milestones coming up fast ... and that's just the start of it.

You must be organized with your project management, or your professional life will be a nightmare.

When it comes to project organization, do whatever works for your business. We use a combination of Gantt charts, project sheets, wikis, and web-based forums to keep track of who's doing what, which milestones are due, and the overall progress of our projects. Following are the key steps involved in managing a project, and some proven strategies for managing each one. Try them, and see what works for you.

Planning

The essential element of project management is effective planning through the stages to completion.

First, break the project down into sections and then subsections. When your project is in smaller chunks, you can very easily identify what needs to happen, what resources have to be allocated, and what time frames should be adhered to in order to facilitate a smooth transition into the next phase.

Documentation

Minimize your trial and error by documenting the processes as they develop. This way, you'll have the opportunity to see where any issues are.

A key part of project organization is to have *everything* documented. Our unofficial motto is, "If it's not documented, it doesn't get done." It really is that simple.

Document every part of the process, from the agreements with contractors, to quotes, to expectations, to dispute resolution ... everything. Only with clear and concise documentation can you have a clear and concise path to your ultimate goal.

Implementing the Plan

Successful implementation requires good communication. If you can communicate each team member's roles and responsibilities effectively, the chances of your project running

smoothly are significantly improved. With the allocation of duties to each team member, we generally break each task up like this:

Action to goal

This provides full details of the action to be undertaken and the goal to be met.

Accountability

It's made clear who is responsible for the completion of this part of the project.

Time frame

A clear date is assigned for completion. Importantly, we also detail progressive milestones to facilitate completion by the assigned date.

Putting this planning strategy into effect means that you can potentially have hundreds upon hundreds of things happening at once. Keeping all your pieces of the plan together can be complicated, and this is where some trusty software comes to the rescue. We'll talk more about tools in Chapter 14.

Reporting

I've hammered the point about constant communication throughout this kit, and I'm about to do it again. An informed client is a happy client. An informed web designer or programmer is a happy web designer or programmer. And an informed project manager is a happy project manager.

Reporting is an essential element of that communication, so let's look at it in more detail.

Internal Reporting

The project manager needs to be kept informed at all times. Regular and concise reporting is essential, and you must establish the rules for reporting as early in the project relationship as possible. The reports need to be relevant to the job you're working on, and include enough detail for you to make informed decisions.

For example, it's unnecessary for the programmer to give the project manager a technical overview of the database development in a report. The project manager simply has no need for that information; all they would be required to know is whether the component's development is on track, and if the component is working as required. Nothing more, nothing less.

The take-away from that simple example is that the project manager must communicate exactly what they need and expect to find in each report. Only then can they make sound decisions based on all the relevant data.

To establish consistency in your reporting, I'd suggest developing a template that can be used by all people reporting to you. With a template, you'll find that your team can be shown, step by step, how to provide the information you require, in the right format. A template can be invaluable to assure the quality of the reporting and will make project management much easier.

Client Reporting

I've found that progress reports, especially those in which we compare the project's progress to the Gantt chart time frame, are an excellent way to keep the client abreast of all developments.

As ever, first identify what your clients want, then give it to them. If the client wants you to send through a one-page report once a week, do it. If they want a 20-page document each week, provide one. If they require a telephone call once a week, call them. Identify these aspects early in your assessment, and include the associated costs in your quote.



Reporting Made Easy

An effective web-based way to report to your client is offered by Basecamp, which we discuss in detail in Chapter 14.



Reporting Takes Time

Some reporting, particularly to major companies, requires many hours of work every week—and you need to have built this into your quote. It's too late to realize when the project is half-finished that it's taking you four hours each week just to compile the regular report for the client.

Effective reporting can improve the quality of the project and, ultimately, contribute to its success. Use every tool at your disposal to ensure that clients receive the exact information they require.

Project Evaluation

At the end of the project, it's important to undertake a form of evaluation—otherwise, you'll never know if you delivered what the client needed or not.

When we finish a project, we undertake a number of reviews. First, there's our internal **post-implementation review**, which involves all the team members meeting to discuss the project; they share what problems they had, which aspects went smoothly, and so on. In this review, we usually discuss ideas for improving our approach: we might ask the team how we could have done the job faster, or for a smaller budget. This kind of thinking helps us to innovate and develop processes that keep us ahead of the competition.

I also send an independent team member—who wasn't working directly on the job—out to the client to obtain feedback on our performance. In this review, the team member asks the client how happy they were overall, on a scale of one to ten. If the client answers eight or above, we can be fairly sure we have a strong advocate in that person. We can almost rely on them recommending us to contacts in their own networks. If they're a very happy client, we take the opportunity to ask them if we can use their story as a case study for our blog.

Finally, a few months after the project has finished, the team leader contacts the client to find out how everything's going. Three months is usually a reasonable amount of time for the client to gather results and identify whether the project has had a favorable outcome. By following up at this point, we can measure the success of the project from a client-business perspective, and feed back the positive results into our client case study. If they've yet to achieve the results they expected, we can take steps to help rectify that, which, in turn, helps keep our clients satisfied long after they might have expected to be dealing with us.

These forms of project evaluation are crucial to maintaining client satisfaction, evolving our processes, and supporting our organization's passion for client service. Never cut corners on this phase of a project.

Summary

In this chapter, we've explored one of the cornerstones of a successful web business: the project methodology. We learned about the benefits that a robust, flexible, and scalable project methodology can deliver to your business. We also explored two common project methodologies: the waterfall method, and the agile method.

Next, we saw how the intelligent adaptation of your project methodology can enable you to create successful outcomes for different client types, and all kinds of projects—from the well-defined to the vague. We discussed the tasks involved in assessing a new project and working out a project plan, including time frames, that minimizes our risk. We discussed the often tricky business of managing multiple projects, and looked at the ways

in which we can adapt a standard project methodology to meet the needs of different clients and projects.

As we saw in this chapter, communicating to clients and staff about your methodology is critical to the successful running of your projects. If you don't explain your methodology, but gain buy-in from team members and clients, you might as well be flying blind. Use the advice provided in this chapter to ensure everyone who's involved in your projects understands their roles and responsibilities, and can see a defined path to project completion.

Finally, we looked at the nuts and bolts of keeping your projects on track. Organization is paramount to the smooth running of any web project, so don't neglect it. In the next chapter, we'll delve further into this topic, to look specifically at the project management and task tools you can use to stay organized.

Chapter 14

The Tools of the Trade

In Chapter 13, we came up with a flexible, scalable project methodology that you'll use to complete every project you win. But a project methodology is more than an idea, it's a pragmatic plan. How will you implement it every day, throughout your business?

To properly leverage your project methodology, you'll need tools. In this chapter, we'll look at the value a good collaborative project management tool can deliver to your projects. We'll see how issue management tracking tools can add to that value. And we'll outline some other vital tools you should consider as you look to implement your project methodology across all your client projects.

In the last section of this chapter, we'll move beyond the client-project team relationship and the practical execution of work to consider what information your project management tools can feed back into your business function. What can they tell you about the health of your operation? As we'll see, they provide the few key metrics you'll need in order to assess the financial well-being of your web design business, and ensure it thrives.

But first things first. What tools will you use to implement your project methodology?

Project Management Tools

It's become a lot easier to transparently manage projects with the development of online tools that provide a collaborative workspace and project management solutions. Prior to this, projects were managed manually, with documents emailed back and forth; this would cause problems as the process wasn't automated, and very cumbersome.

Adopting online collaborative project management tools such as Basecamp¹ can make the project's process a lot easier. Online project management tools generally revolve around the project timeline, but provide you with a range of functionality. Your project management system should let you:

- plan out the phases of a project, including the tasks involved and time frames
- allocate tasks to individual team members or client contacts
- track the progress of individual tasks
- communicate with team members and client contacts simultaneously
- manage multiple projects easily

Online project management tools effectively deliver an online workflow model that provides automated reminders about the tasks that are outstanding, and those which have been completed; it also provides a flexible working environment for alterations if the project plan needs to change. It also provides a single point of truth that gives transparency to everyone working on the project—including clients—about how the project's progressing.



Customize to Suit Your Needs

Basecamp is a complete online tool that came out of web design company 37signals, which developed the tool to manage its own projects. It offers an open API that allows other developers—perhaps some of yours—to build their own add-ons to the service. While using the service, you may identify some functionality gaps that you believe could benefit from an app of your own. Go for it!

In a number of projects where we've used this open collaborative approach with clients, it's made a huge difference. Those team members who are heavily involved in the project can have a great deal of visibility across the project at a holistic level. Those who simply have a review role receive milestone reminders and can access the tool to find out how the project is going.

Having an open, transparent project management tool helps promote communication, but it also helps the team to understand where the project might be being delayed, or if deadlines aren't being met. It provides significant clarity around the issues the project is facing, and makes it clear what needs to be done to keep the project on the rails.

¹ <http://basecamphq.com/>

Setting Up Your Project

The first step in setting up an online project tool is to examine each activity in the project; look at the tasks that fall within the activity, and set the allocated time against each task.

As we discussed in Chapter 13, you should always include a level of contingency in your time estimates. While the tendency for those setting up a project is to think about the fastest way to get the job done in a world where nothing goes wrong, we all know that complications arise even in the simplest of tasks. Provide a buffer!

The way that my company addresses the contingency on each task is to consider the **dependencies** associated with it; that is, requirements that must be met in order for the task to proceed. If the dependency is within our control, we can allocate time fairly specifically without having to worry too much about contingency. But if there are a number of external dependencies—we need information from the copywriter, or the client wants to set up the hosting environment—we'll always provide a contingency. While it might seem to be an easy enough task, there may be some back-and-forth between the other parties involved.



The 15% Rule

When you're planning the project, it's impossible to foresee all the hurdles that may arise. A good rule of thumb is, if there are multiple dependencies, add 10% to 15% to the time estimate. This will give you the breathing space to deal with the unexpected events that will inevitably crop up. So if, at the start of a project, you're regularly missing deadlines, having the transparency provided by the tool makes these issues easier to discuss in an unemotional, factual way as the problems arise. This is a much better approach than waiting until the project goes completely haywire and then point the finger.

Once you've specified time for each task, allocate the task to a team member. Then give your team members and client contacts access to the project. This way, everyone can access the project, check the status of tasks, and identify to-do items and priorities that need attention, no matter which aspects of the project they're working on.

The project management tool is a live and dynamic environment, so you should structure your communication around the information that flows from the tool. It should be used whenever you have your status meetings with the team and with your client. A key part of project management is to have regular, formal reviews of the project's progress once a week, bi-weekly, or monthly, depending on the intensity of the project.



Project Communications Count

Every project involves formal and informal communication. Informal communication should happen all the time, on a day-to-day, collaborative basis. This type of communication is focused on working *in* the project.

There also needs to be regular formal communication, which enables you to focus *on* the project. This could constitute weekly, monthly, or other regular meetings that allow you to step back and review the overall nature of the project. This is useful in running projects smoothly, servicing clients, and maintaining relationships.

Seeking client input into items like status reports and progress-related issues is invaluable in engaging clients, and obtaining their buy-in into the process, as well as the outcome. This helps you avoid working to the “Ta-da!” model, where the client signs the contract, you go away and work for months, and then present the project. “Ta-da!”, you announce, and the client exclaims, “*That’s* not what we thought we were getting!” Web projects are a collaboration; client buy-in to collaboration is crucial.

Whenever you see a delay at the start of a project, consider it a red light. Stop, reflect, and adjust your plans accordingly. The project management tool’s transparency provides the facts you’ll need to seek a solution in an unemotional way. What we often find with clients is that they lack the capacity or availability to look after the project. Acknowledging this at the beginning—when matters start to go wrong—and finding a solution is far better than continuing on regardless.

Project Management and Transparency

In a lot of businesses, there’s concern about just how transparent you should be with clients. There’s a fear that if you are having problems with a project, or hit a technical hurdle that you struggle to resolve, it may undermine the client’s confidence in you if they were to become aware of it. However, the benefits of being transparent significantly outweigh the negative aspect of those potential instances.

If you’re running your projects well, you should usually be able to identify what can go wrong, as well as any areas where you’re facing a significant technical risk. Being able to identify those risks up front with the client so that, when you hit a problem, you can come back to the risk assessment and point to the issue you anticipated, and then implement your mitigation strategy is the way to go. It’s much better than hiding under a rock, and then trying to come up with an excuse for the client two days before the project’s due to launch.

While transparency does create a greater degree of accountability for both you and the client, it also reveals problems that will require joint resolutions, and provides a firm basis to discuss with the client how the project is going. Because your chosen project management tool is open and transparent, ensure that the team members who utilize it are using appropriate language that the client can understand, and are not unleashing frustration or fear into it. Make sure they're sticking to the facts.

You may have a case where the client doesn't want to participate in online collaboration for some reason—perhaps they have no interest, or feel they lack the time to update the status of their tasks and responsibilities. The best way to resolve this is to simply phone them once a week to find out how they're going with their tasks, and fill the tool in for them. Alternatively, send them a regular, bullet-point email that lists their responsibilities, so they can quickly and easily fill in the status of each, and you can then drop that information into your PM system.

We usually find that some client-side team members are very proactive about using the project management tool, while others will never go into it. What's important to consider is that your project management tool is your single point of truth for the project, so you need to keep it updated. Gather that information from the client however you can, without forcing the client to do a job they may wish to avoid doing. By basing the status meetings on the tool's information, you'll be bringing your chosen project management system to the attention of your client, and they'll still be able to gain transparency around what's going on with the project. Many of these tools can also send automated emails to your clients. Ultimately, though, the more your clients are exposed to your project management system, the more likely they'll be to access it.

Issue Tracking Tools

There are additional tools available that can be integrated into your project management tool, and chief among them are issue tracking tools. These are often used within the core project team to identify any technical issues; for example, if a bug has been found—how severe is it, who will fix it, how long it will take, and so on. We use tools like Bugzilla² and Jira³ for issue tracking. However, you may prefer to opt for a software-as-a-service solution; such options include Lighthouse⁴ and DoneDone.⁵ While this information register

² <http://www.bugzilla.org/>

³ <http://www.atlassian.com/software/jira/>

⁴ <http://lighthouseapp.com/>

⁵ <https://www.getdonedone.com/>

may exist on a very technical level, the tool makes it easy to share the details, enabling you to inform the client of the project's development.

We also find when we're completing user acceptance testing or bug testing that the issues tracking tool is a good way of encouraging the client's involvement, since we can list, identify, and clarify issues with them. For example, sometimes a "bug" will be noted that really turns out to be a change request. Using an open collaboration tool for issues tracking helps us obtain client buy-in to the development, testing, and release processes, and to the ultimate delivery of a quality solution.

Other Tools

There is a range of other tools you'll likely have a need for as you build your business. These will include:

- Source management tools** Source management tools, such as Subversion⁶ or Git,⁷ are essential for the astute management of your project code.
- Wireframing tools** We use wireframing tools at the start of projects to test information architecture and page layouts. Consider options like Balsamiq,⁸ OmniGraffle,⁹ and Mockingbird.¹⁰
- Time tracking tools** As I said in Chapter 7, time recording is crucial to a well-run web business. There are numerous software-as-a-service time-recording systems on the market, including Harvest,¹¹ Freshbooks,¹² and Freckle.¹³ While combination time-recording, billing, and accounting systems are available, you may find the time-recording and billing functions within an accounting package are fairly lightweight and unsuitable for your business.

⁶ <http://subversion.apache.org/>

⁷ <http://git-scm.com/>

⁸ <http://balsamiq.com/>

⁹ <http://www.omnigroup.com/products/omnigraffle/>

¹⁰ <https://gomockingbird.com/>

¹¹ <http://www.getharvest.com/>

¹² <http://www.freshbooks.com/>

¹³ <http://www.letsfreckle.com/>

Automated testing tools

Automated testing tools are helpful for testing code as it's being developed. Code-testing solutions will vary depending on the languages your developers work in, but they're well worth the time spent investigating and choosing a suitable option. You may also want to perform load or performance testing on your sites (we use HP LoadRunner for this, though a number of other solutions are available). Finally, for testing your application or site's interface, consider a tool like Selenium.¹⁴

Document management tools

Basecamp provides a neat solution for managing documents and files related to your projects, but other options you might consider include Dropbox,¹⁵ Google Docs,¹⁶ and Scribd.¹⁷

If you're using Basecamp for project management, have a look at the extras page;¹⁸ a number of third-party tools offer integration with Basecamp via its API, so you can keep your various tools in sync more easily. Even if you're not using Basecamp, this can be a good place to find out about other online tools that might be of use to you.

What Your Tools Can Tell You

We've already seen how the information that's included in project management and issue tracking tools can be fed back into client status updates and meetings, to help you and your team keep projects on track. But your project management tool can also feed valuable information back into your business management function.

Figure 14.1 shows a **cost-to-completion** analysis. It compares the amount of work that's been completed on a project—a figure that your project management tool will give you—against the budget available for the project.

¹⁴ <http://seleniumhq.org/>

¹⁵ <https://www.dropbox.com/>

¹⁶ <http://docs.google.com/>

¹⁷ <http://www.scribd.com/>

¹⁸ <http://basecamphq.com/extras>

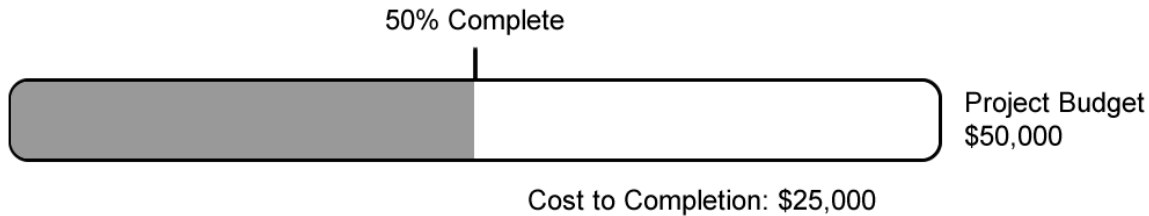


Figure 14.1. An example cost-to-completion analysis

Here, the project budget is \$50,000, and we’re 50% of the way through the project. Perhaps, looking at your budget and the time that’s been spent on the job, you’re on track: you’ve spent half the budget. That’s great! Of course, if you’ve spent more than half your budget, that will be very easy to identify, thanks to the project management tool and your time-recording system.

If, however, you think it’ll cost another \$40,000 to complete the job—perhaps you have some new costings for an element that was insufficiently specified in the original scope—then you know automatically that you have a problem. Once you’ve identified that, you can take action to research, understand, and set about rectifying the situation.

From a project management point of view, the most important metric that comes out of the project management tool is cost to completion. How far into the project have you worked? How much budget have you used? And how much will you need to finish the job? As soon as you identify any sort of gap between your project budget and your cost to complete, take action immediately:

1. Identify why the gap exists.
2. If it’s caused by issues on the client side, have the conversation you need to have with them: perhaps you’ll discuss change requests that they’ve been submitting, or maybe you’ll re-scope the budget together. Whatever you need to do, you have all the project evidence you need in your PM and time tracking tools.
3. If it’s caused by internal issues, identify them with your staff and seek solutions that will relieve the time pressure as soon as possible.

Track the project’s progress and cost to completion very carefully after you’ve done this, so that you know what’s happened as a result of your efforts, and whether your solution to the problem has worked. This is why it’s so important to identify the gap as soon as

you can: once the project's finished, it's very difficult to recoup any losses, whether they're due to the client or not.

In the web world, transparency around budgets and time is becoming the norm. Clients will want to know this information, just as you will. So get comfortable with the information, and with talking about it to clients.

At an even higher business level, the project management information can be invaluable—especially as you begin to service multiple clients, run multiple projects, and staff multiple teams. The key metrics I ask myself as a business owner each week are:

- What's the business's utilization? (We usually want this figure to be 80% or more.)
- What's the company's average hourly rate? (If it's over, say, \$150, we know we're running profitably—but that figure will be different for each business.)
- Do I need to make provisions for expenditure I may be unable to recover?



What are "Provisions"?

We make **provisions**, or allowances, in our accounting system for hours of work or other expenditures that are, for some reason, **unrecoverable**—they cannot be billed to the client.

Imagine we have a \$50,000 job; we're halfway through it, and we estimate we'll need another \$35,000 worth of budget to complete it. That means the overall cost of the job is \$60,000, and we'll be \$10,000 out of pocket.

We'll take a close look at the overrun to see if we can recover any of that money from the client. We might find we have \$5,000 worth of change requests that we can bill to the client. That leaves us with \$5,000 that we can't recover.

We'll enter that figure into our accounting system as a provision; all the provisions then feed back into the business's monthly cash flow statement. If we enter the provision as soon as we realize the money is unrecoverable, our cash flow statement will always reflect the real state of play—it won't overestimate our cash flow position, and we'll always know where our business stands.

Other metrics that I'll also consider include:

- What's the value of the work in progress as a dollar value? (This is obtained through the equation: hourly rates × chargeable hours.)

- What percentage of utilization is billable? (To find out, divide your chargeable hours by your total hours worked.)
- What value are we charging each week?

Part of the project manager's job is to review their projects in progress. They look at the project budgets and costs to complete, and identify if there are any unrecoverable elements in those projects. If there are, they make dollar provisions for them *in the month of the job*.

We total the provisions for all our work, and deduct that figure from the work-in-progress figure mentioned above, to establish our monthly revenue figure.

Looking at these metrics for the whole business gives us a snapshot of the status of our projects, as well as the business's health overall. In this way we gain the holistic information on utilization, average hourly rate, and the provisions we need to factor in. Most importantly, we can predict our monthly revenues. We can also see whether we're getting invoices out the door—which relates directly to the cash flow health of the business. And from this point, we can address any individual projects that we should be worried about, where there's tension between the cost to complete and the available project budget.

As you can see, from a business perspective, your project management tools are critical to managing your business's revenues and cash flows. From a business strategy perspective, they're essential to delivering projects in a way that exceeds client expectations. And on a project level, they help you to schedule staff, execute projects, and gain client buy-in while managing their expectations. That's a lot of value from a tool set that you'll probably be able to access for free or at a low cost.

Summary

In this chapter, we took the concept of project methodology and made it pay.

First, we reviewed the tools you'll need to consider as you implement your chosen methodology. Picking standard tools and using them consistently will support the scalability and adaptability of your project methodology. And as we saw, good selection and use of those tools adds to your level of client service, team communications, and more.

But most importantly from a business perspective, your project management tools act as the bridge between your project methodology and your business's financial health. At the end of this chapter, we investigated the figures and facts that are precipitated by your

project management tools, and learned what they reflect about your business's financial health. This information is invaluable to the business owner, enabling you to track your business's revenues and cash flow, and take action on problem projects immediately.

As you can see, project management tools are vital in allowing your methodology to inform your business and help you avoid problems. There is one issue, however, that requires more than efficient project management tools to overcome; it's the problem of the pesky client. We'll look at this next.

Chapter 15

Dealing with Pesky Clients

A pesky client can be anyone from the client who tries to gain something for nothing, the client who needs every single detail explained, or the client who simply doesn't pay. Pesky clients can, without too much trouble or effort, cause you to throw your hands up and say, "This is too much trouble—I quit!"

In this chapter, we'll talk about the strategies you can use when dealing with pesky clients so that they become valuable business assets, rather than a huge drain on your time, energy, and resources. We'll discuss how to avoid picking up pesky clients in the first place, and give you some examples of how you can turn pesky clients into delightful—not to mention delighted—clients.

The Reason to Avoid Pesky Clients

Let's start by taking a quick look at why you'd want to avoid a pesky client.

Inevitably, you'll pick up pesky clients as you grow your client numbers. To put it bluntly, pesky clients will drain your energy, money, focus, creativity, morale, and much more. If they're left unchecked, pesky clients can destroy your business. In fact, just one pesky client can suck your business dry of all the positive energy you've put into it. You may reach the point where the sound of the phone ringing elicits a sinking feeling in the pit of your stomach just knowing it's them, complaining about some insignificant issue.

From a business survival perspective, the pesky client can drain your business of much more than energy. There are those who are always trying to screw you down on price.

They'll actually cost you more than they're worth, or be just barely profitable for your business. Others need to be constantly reminded to pay accounts—and most small businesses lack the time or resources to constantly chase up bills. Regardless of what the specifics of the problems you're having with the client are, you'll have to spend valuable time and energy dealing with this pesky client, diverting your focus from looking after excellent clients.

Take a minute to check out popular web design forums, and you'll see that one of the most commonly recurring questions is, "How do I deal with this problem client?" The posts detail a litany of disaster: the client ignores phone calls, the client gives conflicting feedback on a design, the client wants more features added to the site, the client fails to pay ... and so the list goes on.

Believe me, these problems are significant when you're a small businessperson just starting out. Therefore, it's vital to avoid pesky clients, and, if one does slip through the net, to be able to deal with them effectively.

Don't take every client on indiscriminately, even when you feel you need all the business you can find, because some of them can cause you a big loss. And remember that you have a chance to influence the way the business relationship develops, even if your promising new client does turn out to be problematic.

Avoiding the Pesky Client

Pesky clients can be very bad news, so your best bet is to try to avoid them altogether.

We assess characteristics of the potential client, and apply these elements to our past experiences to ascertain whether there's a common factor. After being in business for ten years, you inevitably gain a bit of experience with pesky clients. And sometimes it's not the client that's the problem: it's actually our inability to work with them or to manage them effectively that's the cause of the issue.

Spotting the Red Flags

First, we note the characteristics of previous clients who have turned out to be less than fun. Some of the red flags for us have been a person who:

- lacks internet experience
- has no idea what they want beyond "I want a website"
- has unrealistic expectations
- is aggressive

- suggests paying us from the profits that their new website—the one that we’ll be developing—will make
- doesn’t trust us from the very start

Consider this phone call we received once: “Hello, is this the website place? I want a website. No, I don’t know what sort I want. No, I don’t how much I want to spend—you tell me how much it’ll be. But I do want to make enough to resign from my office job within six months.” Yes, this is a red flag *par excellence*!

Our profiling approach isn’t perfect by any means, but it does help us identify potentially problematic aspects in would-be clients. That’s no indication we won’t work with the prospect; on the contrary, in many cases, the assessment helps us to initiate strategies to manage the potential client better than we might have otherwise.

Keeping the Right Clients

One of the keys to our business growth has been our embracing of a simple philosophy: if we don’t like the client—for whatever reason—we get rid of them. It’s as simple as that.

This thinking is fundamentally different from that applied by many people in their first years of business. They’re more likely to take on every client they can, and will probably go a long way beyond the call of duty to appease their every whim.

Gaining as many clients as possible may seem like the key to success—but it’s not. Gaining the *right* kind of clients is the key to success. The right kind of client is one who respects you and your time, meets their end of the bargain, and who is honest, ethical, and just plain decent.

Let’s take a look at the different types of pesky clients you might encounter, and what you can do about them.

Peskiness Personified

The pesky client comes in many shapes and forms.

We’ve had pesky clients who were men, women, old, young, web-savvy, web beginners, experienced businesspeople, business newbies—the list goes on.

Just as varied as the types of pesky clients, are the kinds of problems they represent. They range from the aggressive—“Get this done today! What sort of web developer are you? My daughter can create a web design in two hours!”—to the passive. A very simple site once took us seemingly forever to develop because the client failed to make a decision.

Then there are many other pesky client types, and you'll probably encounter a few of them.

Defining the Characteristics of Peskiness

There are many different ways in which a client can be pesky. I'm not talking about clients with genuine and reasonable complaints here: I'm referring to *annoying* clients whose sole purpose in life is, it seems, to drown you in a sea of frustration. Let's define the most commonly seen types in web design:

The scope-creeper

Scope creep is probably one of the most common strategies of the pesky client. It's these scope-creeper clients who can cost you the most if they're handled incorrectly.

This client might insist you make ten changes to the website, before finally reverting back to the design you originally did. They'll then move on to add "just a couple of little things that we thought were included," which will take you another three days. Then you'll find yourself having to write the copy for the site; otherwise, it will never be launched and you'll never receive your balance payment!

When it comes to scope creep, if you don't have the details nailed down in a document from the outset, you'll soon wish you did. You're never going to cover everything in your documentation, and you do need a degree of flexibility when working on web projects—after all, things change, and in the wonderful world of the Web they change quickly. But you need to have the basic agreement on paper in order to keep the client on track throughout the project. Ultimately, a reasonable client will understand that there'll be an additional charge if they request additional work.

The no-decision client

Indecision can be a common problem when you're dealing with large companies or government agencies. A site development we undertook for a major government client took one year and four months to complete, due to the client's inability to gain internal consensus and make a decision. By comparison, a similar site we built for ourselves took five days to complete.

With these clients, decisions are often made by committees. Yet the committees might only meet once a month, and every person on the committee has a different agenda.

People procrastinate for a number of reasons, the most common being that they feel insecure. This is often the case with these larger clients or organizations that have to report to a chain of command. They don't want to make the wrong decision, so it seems

that making no decision at all is safer. The problem is that the client who delays a project through indecision may well try to blame you for the delay.

The unavailable client

These clients will contact you to ask you to develop a website, then provide nothing further. You're given a paragraph or two scratched out on the back of an envelope; there's no chance of obtaining a decent project specification containing project requirements, business goals, and so on. Then when you do try and nut out some details, you'll find this person is practically inaccessible. You'll leave six phone messages, three emails, and turn up for a meeting that they forget about. If you do manage to start the site development, gaining feedback or information will be a massive challenge.

The slow client

This not-so-rare strain of client is a hybrid of *Clientus no-decisionus* and *Clientus unavailablus*.

You may think it won't matter if a client is incredibly slow. You'll do the work in your own good time, present it as required, and wait. It's no skin off your nose if the client takes a year to approve a simple change, right? But at the end of the day, you want the project out of your hair—a completed website, and money in the bank. The slow client can make allocating resources, reaching project milestones, and collecting payment extremely difficult.

The emergency client

So your new client wants a project completed urgently. That in itself is not always a problem, although it's important to adjust your pricing accordingly, to ensure appropriate resources are allocated. You'll need to pay your team overtime or bonuses for working late, and compensate yourself for the potential this project has to disrupt normal business operations. Often, however, the pesky variety of the emergency client will be unwilling to bear this cost—all while still insisting that their project takes precedence.

The real danger is that you risk upsetting your existing clients by falling behind on their projects, all just to help out a new client whose failure to plan has turned into a problem for them.

The MySpace magician

A more recent issue (in the last few years, anyhow) is the client who has a son, niece, or neighbor who is reputedly a computer wizard, willing and able to design a web page in two hours.

The conversation with the client soon turns to how fast this wunderkind can work—with the clear implication that this newfangled web development caper can't be all that difficult: “Maybe I'll just get my kid to do it—she's doing an elective subject in web design now.” This can then lead to the constant questioning of your processes and invoices: “How has developing this page taken two weeks? My young Johnny could do it in two hours!”

The client who thinks they're a web developer

Unfortunately, the client who thinks they know better than you crops up often. They employ you for your expertise, then question it at every turn.

This is the client who'll ring you up ten times a day with suggestions for their website. While it's important to liaise with the client on a regular basis to ensure you're both on the same page, there's rarely a need for several calls a day. All that will accomplish is slowing down the whole process—and costing you valuable time—as you have to explain and debate every little detail with the know-it-all client.

These profiles reflect the most common issues we've experienced, and each of them has the ability to slow business to a crawl if they're left unchecked.

Make no mistake about it: many of these problems have no basis in logic or good business practice. Take a recent client, who simply decided she didn't like the new web design we'd created—after hours of review and consultation with her, including her signing off on the approval of the design. It was a personal view she'd developed, shaped by feedback from various people who weren't web savvy, outside her target market, or simply had no idea why we'd done what we'd done with the site. Our design was based on hundreds of different factors: usability, load times, search engine optimization, and more. Her feedback was mostly from a friend who had never used or needed the client's product!

It took an agonizing five hours to convince the client that the site we'd completed would work well, and that she should give it a chance. In the first month, the site made 54 sales—that's 54 more than the zero sales the site had made in the entire previous year. *One sale* was enough to pay for the website redevelopment work we'd completed!

A web project represents a significant investment for many organizations, and they're often desperate for it to be perfect in their eyes. The trouble is, their eyes are different than the eyes of their users that you're trying to attract and engage with through the solutions you create.

When the Good Client Turns Pesky

Sometimes, even when you've checked for red flags, completed a risk assessment, and possibly started work, your good client can start to become troublesome. Should you terminate them as a client immediately upon their showing signs of peskiness? You might really need this project and the revenues it will generate—should you lie down and take whatever the client throws at you?

It can be a tough decision. Business can be a struggle, and you need the clients. But the last thing you want is a troublesome client—not only because they'll be slow to pay, or because they won't refer you to others, but because they can damage your reputation very quickly and easily.



It's Business

Avoid taking mere criticism or negative feedback from clients personally, or as a reason for seeing them as pesky and cutting them loose. It's your job to keep them happy, within reason, and you have to understand that lesser problems with clients will arise. Put your ego on hold and work towards finding solutions to the problems the client perceives: this is business, and you're a professional.

Listening to Learn

The first step in dealing with a pesky client is to objectively assess the problem itself. Dissatisfied clients can provide you with a great opportunity, because they'll tell you what's wrong with your business and/or practices. They might be wrong, of course, but their perception is their reality, so it pays to listen. Gather as much information as you can. You then have a basis on which to make your decisions.

Don't wait for the client to complain: your regular status meetings, and your use of transparent project management tools should help you preempt problems. On top of that, seek out any issues or concerns that the client might have. Often the pesky client won't even be complaining—as we saw above, there are many different ways to be pesky.

Dealing with the pesky client really does come down to managing expectations. Sure, it's difficult to satisfy some clients, but if there's a clear expectation of what is to be done by when, and by whom, the relationship is likely to be a whole lot easier. The key is to start off the relationship the right way, by professionally documenting everything so that your client has a clear understanding of the expectation—of what will be done and what they need to do. When you start off with crystal-clear documentation, the pesky client is far less likely to crop up; and if they do, you'll be able to manage them much more easily.

Creating a Plan

Once you've identified the problem—perhaps it's you, perhaps it's the client—you need to develop a strategy that helps you make a decision on whether to keep the client; if you do decide to keep them, the strategy needs to address managing that client.

First of all, it's important to acknowledge that you probably do want to work with this client if at all possible. It's business, and you want their current, ongoing, and repeat business, and their referral potential.

From there, the decision is a matter of weighing up where you are right now with your business, and whether the risk of taking on and keeping the pesky client is worth the hassle. Obviously, if you are new and can't afford to be as choosy as a longer-established business, the money will sometimes be worth the risk.

Finally, you need to develop a way to manage the pesky client effectively; this can also be worthwhile in cases where you've perceived warning signs in a prospect, but you really want to take that client on. Have a chat with the client with a view to understanding how they usually do business. This way, you can discover any issues they might be dealing with that could impact your team or the project itself. It could be simply a matter of asking, "Juan, we seem to be having some trouble ensuring prompt payment of our invoices. What can we do to ensure you receive our invoices on time and into your payment system as soon as possible?"

By making a plan, you can document in advance the steps you'll take to resolve the issues and behaviors you want to change. For instance, with the client who always needs everything done yesterday, you can anticipate the likelihood of their rushing in with a project and plan preemptive measures accordingly. "Karen, we seem to be given a lot of last-minute rush jobs from you that need to be completed quickly. This requirement can have an impact on the quality of the work we provide you in our efforts to get it done. I've mapped out how we'll manage your work in the future so we can complete it in a timely manner and at the highest level of quality. Firstly, you need to submit ... "

As usual, it's clear and precise communication that leads the way to an effective plan.

The Benefits of Keeping the Pesky Client

Turning a pesky client into a delighted client has many benefits.

First, they're much more likely to want your services again. You resolved their problem before, so it's less of a risk dealing with you than trying out other providers. Another be-

nefit is that they're more likely to refer you to others if you've fixed their problems successfully—again, that's because of the lesser perceived risk in dealing with you.

Imagine how powerful it is to say to a potential client seeking references: “Call Li Wong at ABC Industries. Li and I had a few problems initially, but resolved them to deliver a terrific solution. She'll tell you that we don't walk away from problems; we work hard to resolve them for the best result possible.”

We've used previously disgruntled clients as contacts for prospects many times, and it works exceptionally well. Everyone else gives happy clients as referees, but it's amazingly effective to offer a previously unhappy client as your reference.

Solving Peskiness

Of course, clients can rarely be managed with a one-size-fits-all solution. Let's have another look at the pesky clients we identified earlier, and consider some ideas about how to handle them to turn them into what you want—a source of profit, referral, and growth for your business.

Optimizing the Scope-creep Opportunity

The scope-creeper we defined earlier represents both a danger and an enormous opportunity for your business. From the outset, you need to be positive and firm, and this is one situation where close documentation and written—not just verbal—agreement is vital. If you lack a watertight agreement, these clients will tell you, “I thought that was included.”

As I mentioned, our business operates on the basis of declining the reasonable request. When clients ask us to do that “little” bit extra, we register the request, and quote for it. “That's a good idea,” we'll say, “but it does fall outside the scope of our agreement. So there will be an extra charge of \$X, and it will set the launch date back four days. Would you like us to proceed?”

This approach puts the ball in the client's court: the decision is theirs. Once again, make sure you document every request in writing, and have the client sign off on each request they approve and proceed with. There's no need to rewrite the whole contract; just add any changes to a “modifications” section in the original document, including adjustments to cost and time frames, and have them re-sign the whole document.

If you can manage it correctly, the scope-creep scenario can be a non-issue: your client pays for the variances they request during the development process, and you end up with more work and revenue.

Stirring “No-decision” into Action

The strategies that work on no-decision clients are a little different. This pesky client might avoid making a decision for a variety of reasons: it might be that they lack the confidence to make the decision, or maybe they fear losing their job if the project goes awry.

First, don’t even start a job for this type of client until you have your deposit. It may be a while before you see any action at all. Second, communication and documentation is the key to managing these clients, using these three strategies:

- Time frame** Always have a clearly documented time frame for each of the project’s phases.
- Options** Narrow the decisions you ask the client to make: “We’ve mocked up blue and green—which do you prefer?” is better than “Which color would you like here?”
- Reassurance** To help move the client along, reassure them that your recommendations are the appropriate solutions. Remember, you’re trying to reduce their risk of losing their job, being demoted, missing out on a bonus, and so on. So back up your reassurance with examples of previous projects, testimonials, and references.

Communicate regularly with this type of client to keep them aware of the project and, most importantly, point out the benefits of a speedy development process. You might try sending an email like the one that follows.

Example 15.1. Email to a No-decision Client

Hello Ms. Esteban,

I hope all’s well with you. I was just wondering how you were going with the review of the work we sent you. Let me know when those latest changes are approved, and we’ll move onto the next stage as documented.

I also thought you might be interested in this clipping from *XYZ Magazine*. It shows that, in your industry, most customers research products prior to buying. As we know from our own initial marketing analysis, there are 1,000 online searches for your flagship product every day—so the marketing of the new site should attract 300 of those people

per day. With your estimated sales conversion of 5%, that should equate to 15 sales per day to your business. We're really looking forward to getting your site up and running soon.

This example is aimed at the key weakness of most people in business: if there's one thing every businessperson hates, it's missing out on sales!

You must make it clear to the client that the project needs to be completed on schedule. Detail exactly what and how they need to provide the specifications and content of the site. Provide them with a simple schedule of what will be completed by when, and what their responsibilities are.



Don't Aim for the Top

I've found that employing a time frame and then pointing out the benefits of developing to plan to be most effective when I'm *not* dealing with the owner or CEO of the company.

That's possibly because client-side employees are concerned about the potential for negative fallout, should their boss find out that the business has been leaving money on the virtual table because of delays caused by their staff.

Reaching the Unavailable

While the strategy we use to move unavailable clients along is very similar to the one we use for the reluctant decision-maker, this client type can be more of a handful. Often, they don't value the potential of a great solution and, by extension, what you're doing to create that outcome.

As we've discussed, your project documentation includes time frames, which might look like this:

May 1 Draft designs to be completed and presented for approval.

May 3 Feedback to be provided on draft designs.

May 10 Design provided with revisions made.

This way, you're covered when the project stalls because of the client's unavailability. The client will likely want to blame someone if the project falls behind schedule—and your client contact isn't going to tell their boss that *they're* to blame. To get the job done,

you need to make it clear who's responsible for what. With that in mind, the above time frames might be better presented like this:

- May 1** Draft designs to be completed and presented for approval—completed by ABC Design; emailed to Jan Ferreier, 28 April 2011.
- May 3** Feedback to be provided on draft designs—Jan Ferreier to provide feedback from client team.
- May 10** Copy for home page to be provided—Jan Ferreier to provide this content via emailed Word document.

Once your client sees their responsibilities laid out clearly, along a time frame, you'll have a good chance of jolting them into action.

Resolving the Emergency

Don't allow the emergency client to take over your resources for days at a time and compromise your care of existing clients.

We've all heard the saying that rewarded behavior will be repeated. That's exactly what happens with these sort of clients: they rush in at the last minute with a project that just has to be completed immediately or disaster will ensue. You help out, put in the extra hours, pull out all stops, and do the job. You've just rewarded the client's behavior; they've gotten away with it, and will expect that level of service every time. The next time the client fails to plan—it's usually a chronic condition—it becomes your problem. You shouldn't be surprised when the next "emergency" is dumped in your lap; after all, you've given every indication that it makes no difference to you or your business.

There are a couple of options for handling the emergency client:

- As we discussed in the section called "Creating a Plan", document the steps you'll take to resolve the issues and behaviors you want to change before they become a problem. You'll usually have been bitten once or twice by the client at this stage, in order to recognize their capacity for poor planning and resulting "emergency" mode.
- The second option is more drastic: charge the client rush rates. Charging a premium means that you can, if need to, contract the project out and still make a good profit. Don't back down on price—explain that you'll need to draw on extra resources to meet this very challenging deadline.

The worst that can happen is that the client will refuse—and, with any luck, learn a valuable lesson in timelines—and you can return to providing the quality service your great clients know and love.

Treading Carefully with the MySpace Magician

The young web design genius who creates a site in a matter of hours, demanding nothing but extra pocket money, is a rising phenomenon in this age of weekend workshops. We've had it happen: a client proudly showed off her son's bright, blinky MySpace page in the context of questioning what we had to offer. We had to smile politely and say, "That's just lovely. He has a real flair for web design," because it was a very valuable client.

Obviously, you won't criticize the ugly page to the proud relative. Instead, turn your client's attention to the needs analysis we covered in the section called "The Needs Analysis" in Chapter 5, and demonstrate the difference between your professional web business and the rest of the market—including the client's relatives.

Once you start reviewing browser compatibilities, screen resolutions, load times, conversion strategies, search engine optimization needs, copywriting, and the like, the client should soon appreciate that there's a little more to developing a successful site than meets the eye.

Taking Control of the Web Developer Expert

Most clients have a reasonably clear idea of how they want their website to look and work. Many are keen to take an active role in ensuring everything is just perfect. This is to your advantage, to a point, but being subjected to reviews on every single little piece of work you do can be bad news for you as the web developer.

The client who thinks they're a web developer capable of micromanaging every stage of the site development is an all-too-common beast. As we saw earlier, it happens a lot when there's a whole bunch of stakeholders putting in their two cents' worth.

You need to take control in this situation. It's your responsibility to have the client's complete vision documented in nitty-gritty detail, and agreed to in writing, before proceeding with any work. Document their specifications and goals—including tight time frames, how it will be achieved, and each party's responsibilities. Hold regular update meetings, bringing a clear understanding of what is to be discussed and who will be making the decisions regarding the project. Provide clear evidence of the validity of your recommendations whenever you can.

Example 15.2. Convincing the Web Expert

We worked on a project with a large national brand, and the project manager was a web expert client—she knew how it should be, and wouldn't hear of our suggestions. We presented a redesign of the site's information architecture, and she disagreed with our approach. Instead, she had us mock up wireframes that took in her own recommendations.

When it came to user testing, we decided to also test the wireframes our own team had originally created. The user testing said it all: users had considerable difficulty navigating the client-designed wireframes, but quickly and easily understood the ones our team had created. We videoed the users as they stepped through each scenario, and presented the videos to our client. She was unable to argue with this clear evidence, and took our recommendations on board.

Without an absolutely crystal-clear vision, you could be going around in circles and developing for months with no end in sight. That's no good for you or the client.

Using General Strategies

In dealing with pesky clients, it's the documenting and direct, honest communicating that's imperative in making your professional life a whole lot easier. Assertive and easy-to-understand documentation helps to avoid any confusion, and is tremendously effective when dealing with pesky clients.

The majority of web developments turn sour largely because the project failed to be adequately documented, or wasn't documented at all. The last situation you want is a "he-said, she-said" scenario that leaves a bad taste in your mouth and results in an angry client.

In the next section, I'll acknowledge that you won't want every client, and what you should do in that case, but I'll repeat first that you'll want to avoid giving up too easily on pesky clients. The value of a client for a web business can run into the hundreds of thousands of dollars. I've had a client who was a complete nightmare to start off with. The development of his site was forever stalled, as he was never around to make decisions, and he micromanaged when he *was* around. I persevered, not because I'm any great saint but because I needed the money badly at the time.

That same client is now, some eight years later, a joy. It turns out that the aforementioned period of his life was difficult due to his business undergoing huge growth. He recognized the value of the website to his business, and went to great lengths to make sure it what

was he wanted. So his motivation was great; it's just that his methods were a bit frustrating. We've since completed four sites for that client, and they've been an absolute breeze, because he now trusts us completely and is comfortable to leave matters in our hands.

So a client, even a pesky client, can turn out to be extremely valuable.

Making the Decision to Cut a Client Loose

Even though there are many ways to deal with the pesky client in order to retain them for your business, it's very true that you don't want every client who calls you up.

If I'd figured that truth out years before I did, my business would have been a lot more profitable and easier to run from the outset. Like a lot of situations, it's often only through hard experience that you realize when you really don't want a client who causes a \$2,000 loss on a project. You'll likely have a natural reluctance to let them go, because you give them the benefit of the doubt way more than they deserve. You hang in there in spite of all the bad signs, just in case they end up paying their bill on time or bring in more work from their associates. You worry that they might badmouth you to other potential clients if you face up to them. Most of all, your ego becomes involved and forbids you to admit defeat and gracefully withdraw.

But what if you're now at the point where you've taken into account what we've covered in this chapter? Let's say you've tried everything possible with this client. You've tried your best to move them forward from being a drain on your business to being an asset, but it's failed. You're becoming more stressed by the minute and it's costing you money. You're not getting important work done for top-quality clients, because you're distracted by the issues surrounding this one pesky client.

You come to the realization that the client simply has to go. You've seen the little red flags, conducted the risk assessment, and reported on how much of a negative influence the pesky client represents on your business. This conclusion has compelled you to move forward and make the big decision to cut them loose.

Using the "It's not you, it's me" Line

If you've decided you want to make a break between your business and the client, make it carefully and tactfully, with a humble demeanor. No matter what has happened, you don't want to behave in a way that's anything other than impeccable. If you do, you'll only risk your reputation in the market. To that end, don't be afraid to go and see the client face to face: it will reflect your professionalism and care, and help ensure that your communication is absolutely clear and understood.

You want the split to be amicable and easy. You want the client to see it for what it should be: a mutual understanding that the relationship isn't beneficial and would be better terminated. You might say something like this:

“You've been a good client, but the way our business has developed means we're unable to service your business adequately anymore. We want you to achieve the best possible solutions, and I don't think we can offer you that at this point. Here are the names of three local developers who might be better suited.”

Avoid Burning Bridges

What you don't want to do is burn any bridges. You never, *never*, know when that ex-client—no matter how much of a pain they were—will become useful to your business.

There's no benefit whatsoever in burning bridges and creating enemies. Sure, you might feel momentarily better if you tell the client what you really think of them, but that serves no purpose other than getting it off your chest. You'll look entirely unprofessional, it'll make a bad situation far worse, and it won't stop there.

Ex-clients know other people; they talk to other people. The showdown they just had with an uppity web developer will prove to be a great topic of conversation for some time afterwards, and is likely to be embellished as it goes. Conversely, if they feel that you treated them well despite ending your work together and there's no hard feelings, there's always the chance of their referring another client. We've been referred substantial clients from people who we've previously parted ways with. Surprising, but if you can make a break that's seen as an attempt to achieve a better result for the client, there's every hope they'll hold you in high regard.



Don't Tolerate Abuse

I've mentioned aggressive or abusive clients previously; we've had a couple of those over the years and we instantly cease the business relationship with these people. They're simply not worth the grief and pain that comes from being abused. No amount of profit is worth sacrificing a piece of yourself to someone who lacks the manners or social skills to articulate their problem in an appropriate way, no matter what the issue.

There's always that temptation to reconsider dismissing a client because they represent what you're in business for: money. Hold firm on your decisions and don't back down!

Summary

Pesky clients can be an enormous drain on your resources—but they can prove to be a tremendous asset for your business if managed well. Client problems are common across any service industry, but it is possible to effectively deal with the pesky client and turn them into a delightful and delighted client.

Of course, avoiding pesky clients altogether is the ultimate goal; a commonality survey and risk assessment of identified key indicators provide the opportunity to do this. Difficult clients come in several shapes and forms, with many a different issue that you need to deal with. It's important to listen to client issues to ensure your business is providing an appropriate level of service, and it's equally vital to develop detailed documents related to client transactions, so as to maintain clear communication channels with your client.

Having a list of great clients is the key to building a successful business—removing pesky and unprofitable clients from your client list is just as beneficial. There will be times when the best way to ensure the long-term success of your business is to inform a client in the nicest possible way that you feel they might be better suited with another web developer.

Chapter 16

Winning Large Clients

In this section on expanding your business, we'll begin by looking at the challenge of winning large clients. As we'll see, working with larger clients is crucial to growing your business.

In this chapter, I'll discuss the differences between smaller and larger clients. We'll explore some techniques for making an approach to a large prospect, and provide a sound framework for winning your first project with such a company. I'll also touch on some pitfalls you'll want to avoid as you deliver the all-important pitch.

Once you've landed that big client, you may notice some changes take place in your own business. We'll spend some time preparing for those changes, so you know what to expect, before turning our thoughts to expanding your work with that big client. The advice I'll provide will help you grow from a small, taste-test project to establishing yourself as a partner organization and trusted advisor to your big client.

First things first, though: why would you want to work with a big organization? After all, you're a small operator in a specific niche. Who needs big clients? You do. Let's find out why.

Why Work with Big Businesses?

The key reason why you want to work with larger businesses is that they tend to have bigger budgets, more complex requirements, and a greater level of ongoing needs. They have specialists in their businesses who would see the Web, mobile, and social technologies

as key opportunities for business growth. And they'll generally be more sophisticated in terms of the way you'll deal with them.

Large clients will often smooth the process of working with you; they may make a master services agreement with you, and agree on a standard rate card, so that the repeat sales process becomes quicker and easier. This way, your relationship will grow into more of a partnership arrangement, rather than a customer-supplier relationship.

Reaching a point where your business has a number of larger clients is a fantastic place to be. These clients underpin your business, become great reference points for others—particularly if they're a known brand—and can teach you a lot about business discipline and how to run your business.

Many small organizations would probably think that the size mismatch between themselves and a larger organization may count against them, and in many cases that may be true. Large business often ask certain questions of a smaller service provider. Will you be around in a few years' time when they need more work? Do you have the capacity to handle the amount of work the organization needs? Do you have suitably sophisticated processes? Do you have the right kind of protection or contingencies in place in case something goes wrong with a project?

It can be difficult, and it may take some time, but you should continually be focused on growing your business through larger clients.



How Much Time?

Building relationships, coaching contacts, speaking to groups—all the groundwork you'll do to win a large client will take time. But just how much time should you dedicate to pursuing a large prospect? Only you can say when enough is enough, and it'll usually be when there's a signal that you're unlikely to be selected to undertake work with the prospect.

In the meantime, keep at it. Remember the three cups of coffee rule we discussed in the section called “What Not to Do in Business” in Chapter 4? Well, when it comes to big clients, the shoe is on the other foot: you're the person asking for an hour (or more) of the prospect's time. Put in as much work and time as you feel is justified by the signals you're receiving from the prospect. And don't focus on making the sale; focus on building a lasting relationship through understanding and information-sharing.

The way to win a big client isn't about walking in and trying to land a million-dollar job. It's about making contacts, leading with ideas, and looking for a small project that will provide a taste test for both you and the client.

Example 16.1. Landing a Big Fish

One of the first really large businesses that I landed was a Fortune 100 global automotive company—one of the world's largest. I had come to know some of the people in that organization through industry forums and networking events. The organization was looking to make a major play in the web space, but their existing provider was a large technology company that was strong on back-end technology, but had no design or creative capability.

We were then approached by the client, who introduced us to their existing technology provider. They did this because although our business was tiny compared to their global technology provider, they saw that we could really produce outstanding web design that would work well in their projects.

I was very keen to do whatever it took to win this client. Some of our staff had experience working in big technology companies, so we understood the game, and we understood how they worked, which was useful. Initially, the automotive organization wanted the technology company to hire us to provide creative skills for their web projects. But the incumbent was very resistant to this idea—even though they lacked the capacity to do the work required, they didn't want to participate in that kind of arrangement.

We then made an audacious play. Given that we understood how large technology companies worked, we suggested to the automotive company that we could actually be the prime contractor; we explained how we could lead the process and help them manage the delivery by their incumbent provider. And the automotive company accepted our proposal.

It all sounds too easy—but it wasn't. We had a number of factors on our side in winning this client. We had taken the time to establish relationships within the client organization. We understood what they needed and how to get there, while the incumbent provider was trying to hang on to their share of the client, rather than working out how they could take the client where the client wanted to go. The existing provider didn't want to lead a solution—in fact, they kept coming back to the client with problems. We, on the other hand, came in and presented a model—a solution—that we felt could work.

Initially, we got our foot in the door of this client with some relatively small pieces of work, but over the next couple of years, we effectively displaced the other provider. Even though we were working together, they basically were unable to keep up.

The message of this story? My organization had been mixing in the right circles, and were really passionate about the brand; some of our staff were enthusiasts about the brand. We also had the capacity and the secret sauce the client needed: outstanding creative capability that works in a business context. And we were more concerned about achieving the results the client needed, whereas the incumbent was more worried about maintaining revenue from the client by continuing to do what they were doing.

After we'd been working with the client for a while, their website received a global award for the best automotive website in the world. This had a tremendous impact on our ability to win new, large clients.

What's different about big clients?

We've mentioned a few of the benefits of working for a large client, but how else do big businesses differ from the smaller clients?

Working with large clients is a far cry from working with small clients. You'll likely have to deal with a number of individuals in a large client company: people from legal, procurement, sales, and so on. As a result, there's often a lot more overhead involved in dealing with these kinds of clients than working with smaller companies, particularly at the beginning of the relationship.

Over time, though, once you agree on a standard rate card, and work your way onto the client's preferred supplier list, you'll likely find the arrangement a lot easier to handle than the many different arrangements you have with smaller clients. If you've chosen the client well, and they have an ongoing need for your services and strong propensity to outsource the kind of work you do, you may well find yourself growing a partnership with the client—and that gives you the opportunity to carve out a position as a trusted advisor to them.

Another key difference is that large organizations can be a lot more professional and less emotional than smaller owner-managed businesses. Small business operators might be faster at decision-making, and they may have less bureaucracy, but we've found that they can be very emotionally bound up in projects. In our experience, this is less likely to be the case in large organizations, where your contacts have a greater sense of the limits of their reach, and, often, a lesser need for control.

Making the Approach

Okay, so you know you want to win bigger clients. But how can you go about that?

Don't try to win a large client by contesting a massive project up front. For an organization that's never completed a project in a given field, the massive project represents an enormous risk, which can make it virtually impossible for your small business to win the work.

The most effective way to win a large client is to propose a taste test project that's iconic in some way. Propose a small, discrete piece of work that entails a low risk, but has the potential to garner really strong attention from the senior management within the client organization. It might be the company's first mobile application, their Facebook page, or any other small project: try to find an opportunity that will display your skills to their fullest, and has the potential to wow the decision-makers within the client organization.

When you're pitching to a large client, there's often a detailed approval process that will need to occur before you're contracted to do the work. With this in mind, always ask the client what their internal decision-making process is; see if you can coach and guide them through it, providing the information and advice they need at the points when it's required. The sales process can take longer with large clients, but it's usually more than worth the effort.



What motivates your client contact?

The motivations of your client contacts in large organizations will differ from those in small businesses. In a smaller organization, your client will be focused on the success of their business: they're almost entirely results-focused. In a larger organization, however, your contact will often be concentrating primarily on making themselves look good. Keep this in mind as you deal with the client. Help your contacts gain recognition for their work and build their careers within the organization, as well as deliver outstanding results on every project.

The other element you'll need in landing a large client is reassurance. I mentioned the size mismatch between a small web company and a large corporate client a moment ago; you need to be able to reassure the prospect that you have what it takes to work with them. Show that you have the systems and processes in place to manage their projects, and that you have the skilled specialists needed to complete the client's projects to an exceptional level of quality.

Often, the client will want to know that you're financially stable—there are still concerns about web company instability from the days of the dot-com crash. Rather than stating it outright, show a folio of work that you've completed over a few years, and provide references from clients you've been working with for an extended time period. Show through example that your business is capable, stable, and in for the long haul.

To understand your big prospect, you'll need to do some research—probably using your client contacts. Who are the people within the client company who are involved in the areas your business focuses on? Who runs the client's marketing function? What's the client's business strategy? Which other external providers do they use? What capabilities do they have in-house? And remember, too, the types of clients that *you* need to build your business: you probably want clients with complex, ongoing needs, who have a view to outsourcing work that requires your skills. Does what you know of the big client reflect your requirements?



Getting to Know You

In many ways, Twitter allows us to transcend the restriction of business hierarchy. Senior businesspeople are much more accessible than you may think. If you come across an executive from your targeted big prospect on Twitter, consider tweeting them with a question, or asking their opinion in a way that might engage them in a conversation with you. This can be a good way to reach out to potential contacts you might not otherwise meet in a non-salesy way. Alternatively, ask a potential big-prospect contact to be a guest blogger for you. Let them share their opinions with your blog readers, and see what you can learn about them from their response to you.

Example 16.2. The Guest Post Request

A small web development company sent an email to my organization's national CEO to ask if he'd create a guest post for their blog. The CEO directed the email to me, and I responded that I'd be happy to do it. The web business owners decided it would be easiest for everyone if we did the post as a video interview, so they set up a meeting time, emailed me the four questions a day in advance, brought their camera, and we did the interview in a single take.

Once the camera stopped rolling, we continued talking about a few other items. Suddenly, one of the guys said, "Is it okay if we video this for the blog, too? Our readers would love to hear this stuff!" No problem. They then went out and promoted the blog posts among

their audience and the industry. In the end, their blog was nominated alongside ours for an annual business blogging award.

The more research you do, the more closely you'll be able to match your offering with the client's expectations, and allay any concerns or risk perceptions they may have. Each time you have contact with your big prospect, reflect on the experience to see if there are areas where they've flagged concerns, or have information needs that you can meet. This approach—combined with direct feedback from your client contact—can help you develop yourself and your business over time in a way that's compatible with the large prospect, and puts you in the best possible position to become their partner.



Big Prospects, CRM, and the Sales Funnel

We might enter a large client contact into our CRM system at the point at which we meet them, where we'll track our more formal or productive contacts within that organization; however, we wouldn't enter a big prospect into our sales funnel until we perceive a real, defined opportunity with their organization.

Remember: what you're doing when you approach your big prospect is seeking a conversation. That conversation is about exploration and understanding—it's not about a sale. Over time, and with more conversations, you may find an opportunity with that client, but don't expect that chance to appear overnight. Expect the landing of a large client to take time. What you're doing in your approach is not looking to sell; you're looking to learn. Approach big prospects from this position, and you'll be in a good position to be top-of-mind when an opportunity does emerge.

Large Client Pitching Pitfalls

Over the years, we've seen many small operators fall into some very common pitfalls when pitching to large prospects.

First, they go into the pitch with the view that they're unworthy of working with the prospect. That belief comes across in the way that they pitch: they lead with their defense, pointing out factors that the prospect would probably like to assume as a given. Telling the prospect, "We're a stable company!" can actually *create* concerns for a client who'd automatically assumed this to be the case.

Second, many smaller operators become so caught up in proving themselves to the large prospect during the pitch that their pitch fails to anticipate the other questions the client may have.

Instead of taking this approach, lead the pitch with your strengths. Be confident, and let your experience and references speak for themselves. Focus on anticipating the client's likely questions, and answer as many of those as you can within your pitch, while preparing yourself to respond strongly to those you don't anticipate.

Finally, don't underestimate the additional process you'll need to go through with a large client. In larger organizations, decisions are often made by multiple parties, and they take longer to reach. Large companies often have a greater requirement for higher-resolution project management, reporting, and so on. Given these considerations, you should be very careful when you're pricing work for a large client; if you price these jobs as though you're dealing with a small company, you might end up losing money on the projects.

Once You've Won ...

You've won your big client pitch? Well done! Good luck with your first project. Be aware that as you begin to work for this client, some aspects of your own business may change or evolve.

For example, if you have success on this first project, and more projects start to come your way, you may well need to move to a more sophisticated account management structure. Often, when you begin to work with big clients, you'll find you're working on multiple projects simultaneously. You'll probably need to have an extra layer of project management in place to oversee the status of all the projects; this should include any issues and areas for improvement for the relationship overall—as well as on an individual project level.

When you're dealing with large clients, project and account management becomes particularly important; we spend at least an hour each month with representatives from our largest clients, improving our working processes to better manage the projects we're completing with them.

You may also find as you begin to work with larger organizations that you ask your team members to build relationships with their peers in the big client organizations. If you have developers working with the client, they should become familiar with the people in the IT area. Your designers should get to know the people in sales, marketing, and promotion roles at the client organization. The senior people in your business should get to know the senior people in the client business.

This way, you become top of mind at all levels within the client organization. If a new project begins to emerge, a contact at the client company will, ideally, put your name forward—regardless of the level at which the need is first recognized.



Executive education, anyone?

To support your efforts to become top of mind in the client organization, consider offering some executive education. You can provide education sessions on any emerging topic in your industry that will be relevant to the client—and with the pace of change in technology, there are likely more than a few topics that your large client has yet to grasp.

Executive education can be a great way to add value to the client relationship. It can help you to become more well-known within the client company, so you'll be the person those executives think of when they perceive a need to do some work in your area of expertise.

Finally, if it's presented at a senior executive level, this kind of education can engender valuable advocacy for you and your business, even beyond the client organization. Senior executives are often involved in industry or interest groups with other peers at the same level, so establishing a strong reputation and relationships through information sharing at this level can open unexpected doors into other organizations, and provide some excellent referrals.

Making Repeat Sales

Once you've won that first job, and got your foot in the proverbial door of the big client, you'll want to expand your relationship with them. This is where repeat sales come to the fore.

Of course, to run a successful web design business, you'll need clients that provide ongoing work. Repeat sales opportunities make your life much easier: you have familiarity with the contacts and the client organization's processes, an understanding of the business, and so on. This makes it easier to schedule your staff, to quote and price work for the client, and more.

My business uses a number of approaches to source repeat sales from clients. Don't just use one technique: combine them all as part of your ongoing, relationship-building philosophy of business growth.

Making Repeat Sales to Existing Clients

While you're delivering projects to your clients, you should also be having conversations with them around what's next: what are the other key goals the client is trying to achieve, and how might your business be able to help them? Rather than finishing a job and then beginning to think about finding a new one, the best opportunity you have to drive repeat sales occurs *while* you're working in the client's business on an existing project.

With key clients, we develop a road map that outlines the current work, but also identifies new opportunities, projects, and so on. Then we'll agree—even notionally—on that road map with the client. This is a good technique by which your business can become a trusted advisor and strategic partner with a client business. When the client has a problem or question about anything that falls within your area of expertise, they'll come to you. Looking for new opportunities within an existing client like this should become an integral part of the way you run your business.



Stay in Touch

As well as making repeat sales to a business, there's the chance of repeat sales to actual contacts who've moved on to work at another organization. That's why it's important to stay in touch with contacts even after they move from the client company; these individuals can represent golden opportunities to expand your client base with minimal hassle.

Offering a Maintenance Retainer

Another excellent source of repeat work is the maintenance retainer. Where it's appropriate, we offer a small support and maintenance team's skills to clients, who can access those skills under a **retainer arrangement**: they pay a set fee each month to gain access to a certain number of hours of that team's time.

That work could be anything from changing imagery or text, to working on technical integration issues, and anything in between. They're small maintenance tasks, not large jobs, and they're relatively easy to manage. For larger clients, we might even provide a dedicated support and maintenance team. A retainer provides predictability in terms of your revenue, eases the maintenance of strong client relationships, and gives your team ongoing opportunities to spot new potential projects within the client organization.

Taking Ideas to your Clients

We dedicate part of our regular staff meetings to coming up with project ideas for a specific client that we're working with. We might pose a few questions, or brainstorm ideas

that we can take to the client, and ask specific team members to create quick mockups or prototypes that we can present to bring the ideas to life.

Using this technique, you can leverage your knowledge of the client, and your in-house skills, to generate new ideas that can lead to repeat work. We also find this a great way to prove our passion—for our work and for our clients—to the organizations that we work with.

There's no need to brainstorm in a vacuum, either; often, we'll go to clients to ask them how things are progressing, and what problems they're facing. This can give you context for their business situation, and give your team fodder for brainstorming and idea generation. One of our clients was a sports team that provided a library of game videos, procured at considerable cost, on the team website. The problem was that visitors weren't viewing the videos much, so the club was failing to get value from its investment.

Our team brainstormed a few ideas, one of which was to make the video interactive: users could roll over a digital representation of each game to see 40-second snippets from exciting moments of the match. A quick mockup later, and the client liked the idea. The new interactive experience we created engaged visitors, encouraged repeat visits, and had a strong viral element as passionate supporters recommended it to friends. The usage of the online video library soared.

Convene a Forum

We saw in the section called “What Not to Do in Business” in Chapter 4 that running a forum or industry event on an area of your expertise can be a great way to market your business. This applies not just to sourcing new work, but also to inspiring existing clients to perceive more opportunities where they can use our skills.

Not only does the forum allow us to explain our skills and knowledge by example, it enables clients to talk to peers in other organizations. A client who hears about a project we're working on for another client may well begin to see practical business applications for a technology or skill that, previously, they didn't realize could help their business. And of course, the forum continues to support our positioning as thought leaders within the space. For these reasons, forums and networking events can be a valuable part of your sales strategy, and help your broader marketing and promotions approaches.

Summary

In this chapter, we've looked at what's involved in expanding your business: we've learned the practicalities and nuances of approaching, pitching to, and winning work with large clients.

We started out by asking why you'd want to work with a large organization, and explored the ways in which working with large clients differs from working with smaller ones.

Next, a strategy was presented for approaching and pitching to large prospects—and we delved into some of the common pitfalls that you'll want to avoid. We also discussed the ways in which your own business may evolve as you work with larger client organizations.

Finally, we discussed the importance of repeat sales in growing your business among large clients. While repeat sales will benefit your business no matter how big or small your clients may be, we saw that repeat sales form a critical strategy in sustaining your business as you move it to the next level. In the final section, we explored a number of techniques by which you can generate the kind of repeat sales that will help your business flourish.

Of course, landing big clients isn't the only aspect of business you'll need to consider as you expand. In the coming chapter, we'll look at the important question of future-proofing your business.

Chapter 17

Managing Expansion

As your client list grows, and you secure bigger clients, your business will naturally expand. In this chapter, we'll look at the other aspects of business growth: business strategy, staffing, and physical expansion.

First up, we'll focus on a tried and tested model for expansion that can help you anticipate the hurdles you'll face as you grow your organization to meet client demand. We'll also cover some golden rules for expansion: information you'll need to know, whatever path you take to growing your business.

Then we'll get into the nitty-gritty of expansion, exploring the value of planning for it, and testing expansion into new market segments. Once we address how to minimize expansion risks, we'll look at committing to expanding your business in terms of staff, premises, and so on.

The principles we've covered up until now are fine for businesses of a size up to around 15 people. The latter part of this chapter explores what happens after that point. First, we'll consider the role that processes play in a successful expansion. Then, we'll look at two forms of expansion: opening new offices, and growth by acquisition.

Growing your business can be a wild ride. Are you ready to get started?

Understanding Expansion: the Greiner Curve

So you want to grow your business. If you are delivering great work to your clients, have a good style, and can live up to your promises and maintain client relationships, your business will grow automatically.

When you start out as a small operation, you'll likely have a small, tight-knit team. Everyone knows what everyone else is doing, and communication is easy. In bringing on new staff, you just find an extra spot in the corner of your living-room office, and off you go.

As your business begins to grow to around ten people, you will find you hit different challenges. Figure 17.1 shows the Greiner Curve,¹ a model that depicts the phases of growth that businesses face, and the hurdles they need to negotiate to proceed successfully to each new phase.

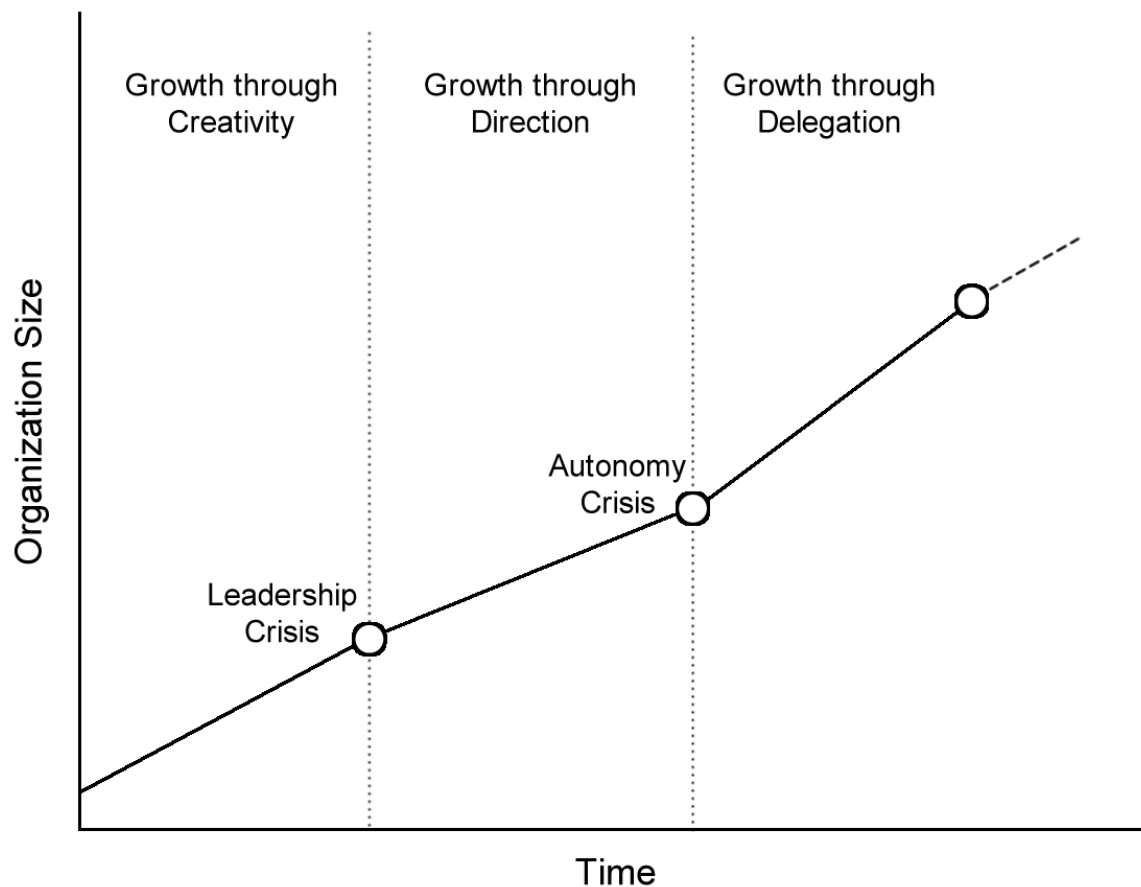


Figure 17.1. The Greiner Curve

¹ First defined in the article “Evolution and Revolution as Organizations Grow,” Larry E. Greiner, *Harvard Business Review*, July-August, 1972.

Phase one covers businesses up to a size of ten to fifteen people. You start off, bring on a couple of friends, and work almost like a self-organizing unit. Everyone's friends, and there's a large degree of freedom. But at around ten people, you begin to realize that someone really needs to lead the organization. This is the leadership crisis point. Who's leading the company? You put a leadership model in place, so that everyone's back on the same page, and you continue on.

Then, once you attract another ten or fifteen people, you face an autonomy crisis. Once upon a time, you might have turned up to work and had a nice coffee and a chat with your entire team to kick off the day. But now you have more staff, and you realize that this kind of approach is no longer possible. Some of the original team members start to think that "things are changing" and "it's not like it was around here." At this point, you need to sort out some processes and a structure that will allow you to delegate successfully and permit your staff to do their jobs well. After all, now that the organization is large, you can no longer communicate staff announcements by simply standing up at your desk and raising your voice.

Golden Rules for Expansion

The Greiner curve provides a good starting point for thinking about the nature of expansion. As your organization grows, new and different challenges are encountered. There are a few particulars to keep in mind.

First, don't hire ahead of the curve. You want to feel that you have more work than you can handle *before* you hire new team members. Perhaps create a **warm list** of potential candidates for jobs in your business. Though you may not have jobs for these people right away, they're people to keep your eye on and begin networking with, in preparation for eventual expansion. As a web design business owner, you're in two markets: for clients, and for talent. Just as you need to build relationships with clients and take time to bring them on board, the same applies to the best talent.

The biggest mistake you can make as you begin to grow is to decide you'll put on five people, for example, because you have so many opportunities and leads. When you hire, you need to have the work to do *now*. There's nothing worse than bringing people on in anticipation of work, losing out on those jobs, and having your new team members spend their days playing *World of Warcraft* because you have no work for them. You should be feeling some stress around your capacity to deliver before you start to hire more people.

The second golden rule is: grow at a measured pace. Your ability to absorb people, maintain a culture, and put processes in place to support your burgeoning business—all

while running that business successfully—will be compromised if you grow too fast. For this reason, planning your expansion is the best route to take. Perhaps you have five staff members this year, and you'd like to reach ten or fifteen by the same time next year. Work out what areas of work will help you expand and the skills you'll need to hire, and create that warm list of candidates. Find out who's the best in the disciplines you want to hire. Ask your staff who they know and respect in their fields; this approach can make finding good team members a whole lot easier.

As you start to employ people, you'll lose sleep at night if you're worried about paying the wages. Employing staff is a huge responsibility—from both a legal and a moral perspective. The realities of managing a business become very stark when you begin hiring staff, and if you lack the discipline to run your business with care, hiring people can be a real trap. Before you make the decision to start employing people, make sure you have solid foundations for your business.

Planning for Expansion

The best expansion is planned expansion. This way, you can anticipate your needs, and the changes your business will undergo as it grows, and avoid unexpected surprises that may leave you and your staff high and dry.

To begin planning, create a budget for the year ahead. Some of your costs will be fixed: rent for premises, current employee wages, and so on. But others, like additional staff wages, technology, and so forth, may vary. Then estimate client growth, and begin to create revenue projections for different scenarios. How would it look if your business failed to grow at all, staying exactly as it did this year? What if you had a good year next year? What if it was a great year? An outstanding year?

Now you have some revenue projections, but how will you earn that revenue? Put some thought into the extra staffing requirements you'd have in each expansion scenario. This will give you some idea of the capacity necessary to drive growth at different levels, and can help you anticipate talent requirements you may face in the coming 12 months.

Completing this analysis at a time when you can afford to be cautious and objective, rather than in a panicked state when you've suddenly won five clients in a week, is really ideal. It also ensures that you can create your talent warm list over time, and avoid hiring sub-standard staff simply to create capacity for client work.

Example 17.1. Snowed Under

We, along with several other businesses, found ourselves in the thick of an overheated social media market: clients were beating down our doors, calling to demand proposals for work ... and we were unable to keep up. I asked a staff member of mine if he had any friends in the field who could help us out. He suggested a friend from university, who was fantastic at what he did. We contracted this person on a casual basis. Then, more work came in. My staff member was on leave, so I asked another team member for his help; he found us another friend that he'd studied with, who also now works for us on a casual basis.

Now, I'm supposed to be leading the company, but I found that I was being dragged into writing proposals and running projects as the business exploded. I looked around and decided that one of our particularly skilled team members, who was just 22, would be ideal for running the business. I'd taken him to clients and knew he was great with them—a quick thinker—and had a background in entrepreneurship and business management. I'd tested him, and knew he was great, so I asked him to head up the business. He now meets with the clients, manages the team, and calls on me when he needs me to help out somehow.

I held off taking on these staff and changing my team member's role until it became absolutely imperative; but I had already planned for this expansion, and knew how I'd do it when the time came.

The degree of discipline that's evident in the preceding example is important in building a sustainable business, with strong intellectual property and quality clients. You want to avoid simply going out, taking on a stack of work, hiring ten people who aren't the best at what they do, and risk producing work that's below par for clients who aren't ideal.

In the case of that example, we were making a planned expansion in the social media space, which was part of our core business. To grow in an unplanned way would risk our ability to establish our business as leaders in that space—and that wasn't a risk we wanted to take. Planning is essential if you're to take a strategic approach to building—and expanding—your business in the medium and long term, as well as in the more immediate future.

Experimenting with Expansion

Sometimes, your lead clients will push you to develop skills in areas that may become new specializations for your business. But even in the example we gave in the previous section, it wasn't simply a happy accident that we already had skills and capabilities in the social media sector. We'd planned to expand our offering in this arena, having already completed a range of work in the field. When those clients started knocking on the door, we were ready to roll.

The approach we take with testing out new areas of business is, first, to find ways that we can dip our toes in the water. Then, if we believe we can deliver in that market space, we work out how we can create a talent bank of team members to deliver on the projects we'll aim to win.

Around five years ago, we could see that the social web was going to be a big deal. Back then, we dipped our toes into the water by finding some strong lead clients who we could work with to build our capabilities. Then, when the tsunami of social web work finally hit, and businesses were looking for providers with experience in the field, we'd be their obvious choice.

It's important to think long-term as you identify likely areas for expanding your business. While 85% of our focus will be on the business of today, we still spend time looking to future growth drivers for our business, and work out how we can experiment in the space through lead client relationships (we'll talk more about lead clients in Chapter 18). In the next two or three years, how do you think the game will change for the field in which your business operates?

As you've probably guessed, when we were preparing our budgets for the coming year, we anticipated that the social media space would be heating up. So when we made our good year, great year, and outstanding year predictions, we anticipated the staffing and skill requirements we'd have in each case. Then, when the tsunami of work did hit, we had contingency plans we could go to for finding great talent, meeting our clients' needs, and growing our business as planned.

With other ideas, or market spaces, which we call our irons in the fire—we believe they have potential, but we're unsure if they'll emerge strongly in the next twelve months—we consider our existing team and identify who should be skilled up in those areas. We then go out and seek lead clients who can work with us in those areas, and will let us cut our teeth. Then, if one of those irons in the fire does start to heat up, we have talent to meet

the demand in the interim while we look at ways in which we could resource and develop that area of our business.

Minimizing Expansion Risks

Obviously, planning is the best way to minimize the risks that are inherent in expanding your business. You're much less likely to make poor business decisions if you've planned ahead for growth. But there are other tactics you can use to minimize expansion risks, including:

Hiring on a contract or casual basis

Don't staff a new arm of your business, or a new team, with permanent, full-time team members. Hire on a casual or contract basis first, until you're sure of the stream of work, the viability of the market, and the quality of the talent.

Partnering with universities

We do a lot of work with universities, and that enables us to get a feel for the best new graduates in a range of fields related to our business. This can be a great way to find new, passionate talent for your business.

Building a specialist freelance network

Rather than hiring specialist talent when a job requires particular skills, use freelancers. Building a strong network of specialist freelancers to call on as needed reduces the likelihood that you'll have expensive specialists sitting around your office with no work if the market ends up being cooler than you first thought.

Having freelancers and contractors use their own resources

Don't spend money on computers and desks for temporary staff: hire them on the understanding that they'll use their own equipment, and work from their own offices, until you feel you simply must have them in the office. When that time comes, have them bring their equipment to your office, and find them an existing workstation to use if you can. Only outlay money on equipment once you're sure you want the team member in the office on a permanent basis.

Committing to Expansion

You've planned for growth and tested the market ... but at what point do you commit to expanding your business into a particular sector with permanent staff and ongoing business development work? If we've confirmed and sold so much work that we're deferring clients, telling them there's a four to six week delay on projects, that indicates that we're probably in a position to bring on an additional staff member permanently.

This is a good rule of thumb: if you're selling work two months in advance because you simply have too much work, you may need to look at making a permanent hire, and backfilling that individual's contract position with another freelancer.

If we're working in a new category or sector, we'll look at the lead time from proposal to the client signing. This helps us avoid being caught up in the heady whirl of clients asking for proposals that may take months to sign, if indeed the client goes through with the project. It keeps our feet on the ground: if proposals for work in this sector are taking an average of two months to sign off, there's probably no need to hire five new staff immediately on the basis of the nine proposals we sent out this week.

Of course, people aren't the only consideration for expansion, but they do precipitate other needs, like offices. Despite the proliferation of virtual offices, a place of business, where team members can come together and collaborate is important. It's particularly important in emerging areas, where your team's ability to generate ideas and innovate collectively may mean the difference between success and failure; between market leadership and barely keeping a foothold in the space.

Once you reach the point where you have more than five people, you may need to start thinking about finding a home base. It could be a shared space, rather than your own offices; in any case, you'll need to anticipate the costs associated with that physical expansion, and ensure that you can cover them on an ongoing basis. Many business premises' rental arrangements will entail leases that extend for more than a year. Make sure you can manage the risks associated with physical expansion—don't commit to a ten-year lease, for example. Flexibility and adaptability are key here; avoid risks wherever you can.

Finding an Office

Moving into an office is a big decision to make. A thorough assessment and review is necessary to ensure that it's the right decision for you, and that you'll benefit from such a move. Now's the time to pull out the calculator and start looking at those numbers again. Speak to your accountant and make sure you understand the financial implications of this step.

Taking an office poses a risk, but with the right review, you can minimize that risk. As soon as we moved into offices, the business exploded. We very quickly had more business than we could handle. This was, I believe, partly due to the perception of greater professionalism attached to the business once we had physical offices, but mostly because our productivity rate went through the roof.

Location, Location, Location

Your offices need to be well located. For a web development business, a good location might take into account:

- convenience for clients
- convenience for staff
- proximity to business centers
- parking considerations
- neighborhood businesses
- general ambience of the area

With web businesses, it's likely that some of your clients may be across the other side of the world; however, the majority will almost certainly be located within 50 miles of your business's location.

Your office should be convenient for your clients, and a convenient base from which you can generate more business. If you had a choice between going into an office block with umpteen other businesses and going into an office sitting on its own somewhere, the better choice would probably be the office block. You're not only more likely to find new business if you're located among those other businesses, but you'll benefit from the opportunity to discuss small business management issues with others.

Don't forget convenience for yourself and your team as well. After all, it makes little sense to set up your place of business an hour's drive from home. It can be done, but I'll bet you'll be a lot more efficient if you're only a matter of minutes away: you'll have two extra hours at your disposal each day!

Review the area surrounding your potential office. Are small businesses moving in? What's the average age of residents? Is there much crime in the area? Are there plenty of good cafés, bars, and restaurants to provide places for you to grab lunches, meet with prospects and clients, or hold the occasional staff party?

Choosing an Office Location

Different locations can provide different benefits (and drawbacks). Here's a checklist of the issues you'll want to consider:

- general and specific location
- space available (remember to plan for growth)
- population and demographics of the local area

- competition
- facilities—banking, postage, office supply stores
- convenience for clients, as well as for you and your team
- cost
- compatible neighbors
- transport and parking facilities
- interior and exterior appearance of the building and the offices
- signage opportunities
- lease requirements (term, cost, options, permitted uses, ability to assign the lease to another person)
- infrastructure in place (telephone lines, internet lines, and the like)

Ask your clients where they think you should locate your office. This is a good approach for a couple of reasons:

- You're involving your clients in your business's growth, building on your existing relationships with them even further.
- Being in business themselves, they'll usually have a good idea of the best business locations.

That said, where your office is located will probably have little bearing on your prospects' choice to work with you. Many retail businesses rely on people who live within a five-mile radius for the bulk of their income, but it's a different scenario for a web developer. You aren't limited to sourcing clients from the immediate area, and there's certainly no need to be in a high-profile location to make your business a success.

Understanding the Lease

Once you've found an office, get a copy of the lease and make sure you read and understand the contract perfectly. Consult your lawyer for advice on the meanings of the various clauses.

The main aspects you'll want to know are:

- What is the length of the lease?
- What are the options on the lease? When the term of the lease expires, do you have the first option to renew the lease? At what price and for what length of time can you renew?
- What is the rent?

- In what ways can the rent be increased? Rent increases are typically based on factors such as percentage of turnover, percentage of profit, the Consumer Price Index, or simply as agreed.
- Who pays the utilities? These might include garbage pickup and property taxes, for example.
- Are you permitted to sublease the premises? If business goes badly, this can provide you with the opportunity to lease the premises to another party, which could be a big help to you.
- Do you need to take out insurance on the office?
- Who is responsible for the legal costs and government taxes associated with the lease?

Read and understand all the details. If this is the first office you've ever moved into, the process can be tricky. You want an office that's big enough to accommodate you and your team as you become more successful, but you want to avoid taking on an office that's too big and adds too much to your overhead. You must find the balance. Be objective: don't fall in love with an office, don't assume you'll grow quickly, and don't apply for the first office you see.

Conducting a Cost Comparison

Once you have the nuts and bolts of the lease sorted out, you can take a close look at the numbers. Most offices are rented out on a square-foot or square-meter basis: ascertain this figure, then add in the overhead. With those numbers you can analyze the exact cost of your office, and complete projections around future expansion, fixed costs, and so on.

The above method provides an excellent basis for comparison. Don't look at just three or four offices and compare this way—look at ten or 20, and compare their value on this basis. In addition, weigh up aspects like street access, parking facilities, security, business signage potential, convenience for your clients, general appearance, state of repair, and other pros and cons of the offices you consider.

Once you've chosen an office, be prepared to negotiate the terms of the lease—including the cost. Those cost projections your accountant gave you, along with the comparisons you've done, will give you impetus for altering the terms of the lease on your preferred premises to suit your business's needs.

Beyond “Bigger”

All we’ve talked about so far might be fine for businesses with five, or eight, or ten people. But what happens beyond that point? As we saw earlier in this chapter, the nature of the challenges you face—along with your business and your staff—will vary. Let’s see how.

Once you reach the point where your business employs between ten and 20 people, you’ll need to ensure you have strong leadership: a person who’s clearly setting the direction. Of course, it’s fine to involve the team in strategy and direction-setting; ultimately, though, the buck stops with the leader—most likely, the business owner.

Understand your own strengths, and mitigate your weaknesses by employing others who have the skills you lack. If you’re a charismatic leader with little ability to focus on detail, hire a person who has that discipline. Having the maturity to hire intelligently, in a way that combats your weaknesses—rather than simply hiring staff in your own image—is a critical aspect of successful expansion over the long term.

The other factor to consider as you expand at this level is processes. Remember the processes and methodologies we discussed in Chapter 13? Of course, you’ll need to be thinking about them from day one, and focus on making them scalable. Then, as your business expands, those processes should remain usable, with tweaks and adjustments as the nature of your business changes. Perhaps more challenging will be that, as more staff come on board, you’ll likely have to add to your business processes. How will you conduct performance reviews? What about promotions? What’s your salary budget, and what will you do about pay rises and bonuses?

As you start to scale to the point where you have team members working on-site for clients, it’s crucial to document processes, induct people, and provide training on time recording, quoting, CRM system usage, and so on. It’s also important to explain *why* your staff need to follow processes. After all, your longer-term staff members are less likely to embrace new processes with gusto; they’re more likely to be feeling the effects of cultural change, and may dislike the idea. By explaining why the processes are important, and putting in place the opportunity for continuous review and improvement of your internal systems, you’re more likely to achieve buy-in from staff across the board.

When you expand beyond 20 staff members, you’re likely to need an extended leadership team. No longer will the do-your-own-thing-according-to-process approach be feasible. It will be necessary to have people individually responsible for things like company culture, your IT systems, and your scheduling. Rather than hiring one-trick ponies for these roles, it may be more appropriate to identify who within your organization is good at these

tasks, and build those responsibilities into their existing job descriptions. However you manage it, ensure that an individual within your organization is responsible for owning the key initiatives that make your business tick.

Growth in a New Location

Often, when web design businesses reach a size of around 20 people, business owners begin to think about opening offices in other locations—perhaps in a different town, state, or country. But this kind of expansion should not be a speculative venture. Instead, follow your clients; if you’re receiving enquiries from businesses in another city as a result of the contacts you’ve established, or because existing clients also have offices in those locations, you may have cause to look into opening a branch office.



First Steps in Opening a Branch Office

If you’re toying with the idea of opening an office in a new location, float the concept with your team and see what they think. If their feedback is supportive, speak to your accountant about the idea. They will come up with some cost projections and financial data that will help you assess the viability of the idea, and can give you good starting points for planning your approach.

In any case, don’t rush into opening new offices. If you’re considering it, look at your existing staff and identify a top gun who may be interested in relocating to establish the new office. Avoid hiring a new person to open the new office: they’ll lack the experience with your processes and culture, and they won’t have established working relationships to do this really successfully. Look for ways you can experiment using your existing resources, and on the basis of real clients and real work. Then find the cheapest way—at the lowest risk possible—to prototype your expansion plans, without taking on commitments to premises, permanent staff, and so on.

Perhaps you’ll send up a key team member to work from an apartment in the new location for a few months, leveraging the capacity you have in your home office. This way, your costs are kept low, and you can pull out of the idea at any time. You’re giving your expansion ideas the best possible chance of success for minimal risk. Often, people think that success is a given when expanding into a new market, or that it needs to be a replica of their operation in their home city. But the reality is that, frequently, establishing yourself in a new location takes longer—and is more difficult—than you expect. Whatever you do, don’t over-commit.

Growth by Acquisition

If you're starting to scale your business, you may notice a smaller competitor who's doing great work—perhaps you've lost a couple of pitches to them. This may prompt you to consider acquiring this competitor; such a tactic can help you build your business in your existing locality. An alternative for expansion elsewhere is to identify a business in that location whose work you admire, and buy it.



First Steps in Acquisition

Again, speak with your team first to gain their input if you're toying with the idea of acquiring another business. Once the idea has their tick of approval, contact your accountant to discuss the idea and see how it might affect your business financially. Be aware that acquiring a business entails significant cost; as well as paying for the business you're buying, you'll also face big bills from accountants and lawyers who'll need to do a lot of work to manage the acquisition. Then you'll have to consider the costs of the practical merger itself: how will you bring the two organizations together and maximize the opportunities? These kinds of challenges are sure to cost you money as well as time.

Some years ago, I wanted to expand into a new geographical market, and my team noticed a great web development firm there. We had been offered work in that city that we were unable to fulfill, and so had passed the projects on to this smaller company, giving us the opportunity to establish a relationship with them. From this point, we began to discuss the possibility of their coming to join us.

The first question you should ask when you're considering an acquisition is this: is it a good cultural fit? Acquiring businesses and trying to merge them into your operations is one of the most challenging tasks an organization can face, and if there's a cultural mismatch, both businesses may suffer. The process of acquisition also takes an inordinate amount of management time, which you'll need to plan and prepare for. As a result, acquisitions should be made very selectively with a big focus on culture, and with extreme patience.

Look at the benefits the acquisition will bring to your business. The company you're acquiring may have great project management processes, outstanding win rates on proposals, or a fantastic billing model. Don't just see acquisition as an opportunity to overlay your approach onto another group's client list; you may be able to gain significant value or synergy from the exercise.



Avoid the Roll-up

A company I know that was doing very well decided it was going to make a very big play in the market: it was going to acquire a handful of small web companies at once, launch an IPO (initial public offering of shares in the business), and gain a lot of funds through external investment in a tactic that's commonly called a **roll-up**.

What frequently happens in this case is confusion. As this web company found, each acquired organization has its own business leaders, culture, processes, and so on, and trying to merge so many businesses is almost always doomed to fail.

Growth by acquisition can be a successful tactic, but it's a tactic that needs to be employed with caution. That said, the scale that can be gained by acquisition can allow you to leverage your capacity on a broader basis to great effect. Ultimately, if it reaches a point where the acquisition feels wrong, don't do it: an inappropriate or unsuitable acquisition can kill your business.

Summary

Growing your business should be a well-thought-out proposition rather than an overnight surprise. As we saw in this chapter, careful planning can help you to avoid many of the pitfalls of expansion, and ensures that your growing business has the best possible chance of success.

The first part of this chapter considered organic growth principles—planning, testing, and finally committing—that apply to any business at any stage in its life cycle.

The second part looked specifically at the challenges faced by businesses with around 20 or more staff, and detailed two methods of expansion that such businesses commonly consider: opening new offices, and growth by acquisition.

In the next chapter, we take this philosophy a step further as we consider the ways in which you can future-proof your expanding operation.

Chapter 18

Future-proofing Your Business

Future-proofing—the process of anticipating future developments and preparing for them accordingly—should be a core aspect of your business strategy. It’s especially important in the digital field, where technologies change almost as quickly as their applications.

If you’re a one-person operation, and you’re just starting out, at the very least, you’ll want to protect your business against obsolescence. But as your business begins to expand, you’ll find yourself waking each morning to face the ugly specter of risk. You’re attracting more clients and growing your staff, and the value of your business is increasing. Failure to future-proof your business, could mean losing it all.

In this chapter, we’ll discuss what you need to consider in future-proofing your business. First, we’ll step through the basic elements of future-proofing and familiarize ourselves with a model that you can use to frame your thinking. Then, we’ll discuss how you can choose emerging technologies or concepts with which to experiment, and explore the process of moving new ideas from the realms of wild fantasy into the everyday, bread-and-butter business of your organization.

Innovation is central to the idea of future-proofing, so we’ll spend a large part of this chapter investigating the steps you can take to foster a culture of innovation within your organization, and among your team members. Then, I’ll address the key steps you’ll need to take in de-risking your future.

First up, though, let’s find out what future-proofing is all about.

Future-proofing Basics

In the web design world, the pace of technology change continues to increase. Unfortunately, it's quite easy for your business to get stuck in a time warp. The way you make your revenue today may suddenly become commoditized, leaving you with no way to charge for service provision.

Think about the task of building a large-scale website with a content management system. Back in the early 2000s, it would have required installation, configuration, and a significant amount of work. There would've also been work around setting up hosting environments, sourcing content, and so on. These days, there are many open source content management systems on the market, and they're largely preconfigured with most of the features your clients need. Hence, your ability to earn revenue from this kind of work is significantly reduced.

Example 18.1. Too big to fail?

Back in the nineties, the world's major business consultancies developed huge capabilities around SAP implementation, and SAP became the dominant enterprise resource planning software system used in large businesses. There were limited, extremely specific skills in the field, and the system was massively complex, requiring a lot of configuration. As a consequence, the rates consultancies could charge, because the skills were so rare, were high. Massive businesses consisting of several thousand people were built around this technology.

Then, as more people developed skills in the area, and offshore companies offered those skills for significantly lower rates, the SAP-focused consulting business fell apart in a matter of months. What these organizations had failed to do was work out what was next. The staff base was deeply specialized, making it virtually impossible for those consultancies to adapt quickly to market changes. The bigger an organization is, the more likely this kind of scenario becomes.

The speed at which technology can be commoditized is often terrifying. This means that you need to focus on the future as well as the present, and find ways to future-proof your business: to reduce your risks of failure due to a lack of vision, and an inability to adapt to change.

Which areas of work need to be focused on in the next 12 months? From what areas do you think the next generation of business opportunities will develop? Is the work you're currently completing starting to become a commodity? Questions like this mark the starting point for your journey towards a future-proof business.

As a web business owner, you must always retain a focus on major future trends, and try to find **lead clients** who are prepared to work with you in exploring these developing market spaces. Academic Eric Von Hippel¹ talks a lot about the importance of finding lead clients; they're the people working on bleeding-edge projects that will enable your business to grow and move into new areas. Not every client is going to be a lead client, but if you can find two or three clients who are willing to push the technological envelope, they'll be crucial to helping you drive into new areas.

But let's step back for a moment to consider those future trends themselves. As we write this book, some of the new areas we're seeing emerge are mobile apps; developing for tablets such as the iPad; social media; and data analytics and visualization. How can you perceive, grasp, assess, and manage these opportunities in a way that ensures your business is future-proof?

The Three-horizon Model

Vaguely considering a new technology that you read about in an article last week is not the way to future-proof your business. You need to take a systematic approach to creating an innovation pathway for your business.

To manage these kinds of opportunities, many businesses use the three-horizon model shown in Figure 18.1.

¹ <http://web.mit.edu/evhippel/www/>

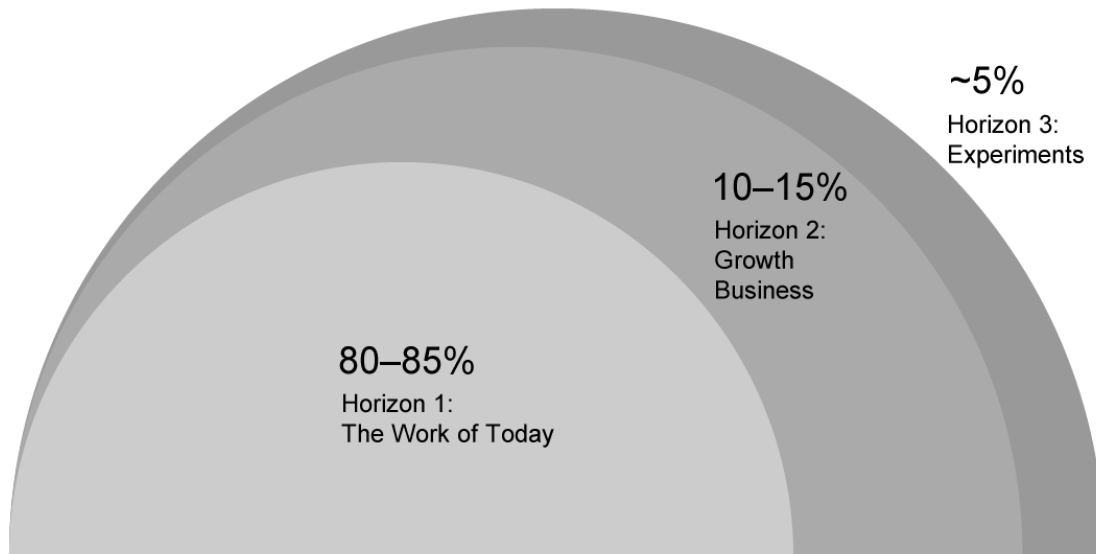


Figure 18.1. The three-horizon model

In this model, you have three business horizons:

- Horizon 1—the business of today (mainstream work)
- Horizon 2—the growth business (work in areas that are leading the industry forward)
- Horizon 3—embryonic experiments (projects at the bleeding edge of the industry)

In the mid nineties—to use our content management example—managing content using a CMS, rather than using a series of static HTML pages, was considered bleeding-edge. As more CMSs started to emerge, organizations who provided this capability on a large scale were at the leading edge. CMS-based websites became mainstream, but still required a lot of work to create, and generated a lot of business for the industry. Today, CMSs are largely commoditized; it's difficult to make money selling your own CMS solution.

Every component of the work you do in the web space is likely to move towards being commoditized. So you need to constantly look at your overall portfolio of work and ask yourself if you're doing one or two bleeding-edge projects; for example, a site that uses a crowdsourcing model and open APIs. If you are, great! Keep looking for projects in that space. Otherwise, you'd better get out there and find some lead clients who are keen to complete bleeding-edge projects.

Don't expect the Horizon 3 clients, or their projects, to be your most profitable; it's more about the opportunity of working with visionary clients willing to try new things and letting you cut your teeth at the same time. Often the projects will be among the smaller

jobs you'll be working on as you try to get your feet wet, learning more about the technology or discipline. But once you have good work examples and references, you can use your new skills to attack the market and differentiate yourself from your competitors—organizations who may be seen as unable to take their clients forward.

The second horizon has your leading-edge projects; at the time of writing, that might involve a cloud-based strategy or development for mobile devices, for instance. And in the first horizon are the mainstream commodity services: building websites, incorporating video, social media integration, and so on.

The danger of not future-proofing your business is this: if you become stuck working in a mainstream area that becomes commoditized, and you have no capacity to deliver the work that your clients want—such as a mobile app—you may find that your clients begin to look elsewhere.

Example 18.2. How's the future looking?

I was speaking to a reasonably sized web company recently, and I asked about the work they were completing in the mobile space. They told us they had yet to do any work in that area.

It seems to me that as mobile devices become the dominant means for accessing the Web in developed countries (it's already at that point in many developing nations), this company is in a precarious position. Increasingly, as they try to win work, they'll find themselves up against more forward-looking web companies with a stronger list of qualifications, and risk missing out on work.

You should also be aware that if your people are working on mainstream projects during the day, but carrying out bleeding-edge personal projects at night, there'll be a disconnect between the work they want to do and the work they have to do. Therefore, future-proofing is more than just protecting yourself against a loss of clients or revenue; it's also protecting your business against a loss of staff. The combination of having clients who will push your business forward and staff who are continually growing in the work they do gives you a strong future-proof business.

The key consideration when you're working on bleeding-edge projects is to find clients with a sense of vision. These are clients who understand that if they're doing something that hasn't been done before, or is being developed in a fledgling area, it'll be more difficult,

so they'll need to be more agile. For this reason, a risk-averse client probably isn't a good bet to lead your business's growth into the second and third horizons of the future.

What you want to gain from working in the bleeding-edge spaces are:

- learning opportunities for your business
- learning opportunities for your people
- a client who you can reference, so that when a new client comes to you with work in that space, you have the qualifications for the job

Another way to future-proof your business is to adopt technologies in your own business in order to cut your teeth. You might use mobile apps, devices with a touch screen, or augmented reality; or enter competitions (or run internal competitions) in other emerging disciplines. This also demonstrates to potential clients that you're already working in this space.

Alternatively, you could future-proof by working from the mainstream end of the equation. You might see an opportunity to commoditize an aspect of your mainstream work in some way. Returning to our example, if you were commoditizing CMSs for the first time, you could look for a way to create pre-formed templates for various business types that would allow them to self-serve. You'd also be looking at a subscription or licensing agreement model, so that you could leverage the IP and effort you put in over the longer term.

There are some standout cases of software-as-a-service development that have succeeded very well; however, we've found that most web design businesses are more focused on servicing clients and delivering projects than on working in the commodity space, which can be quite difficult. Still, it is an option for future-proofing.

Choosing Your Targets

So, you've decided to use the three-horizon model to plan ahead and future-proof your business. That's great. We use the three-horizon model to help us manage and select new technologies, disciplines, and concepts that we work to move into the mainstream of the business. But how do you go about the hard task of actually predicting, or preempting, the adoption and value of innovation within the mass market?

Here, we need to ask ourselves, "What's happening in the market? What are people talking about most?" Looking at leading media—*Wired* magazine, *MIT Tech Review* magazine,

and tech blogs like *Tech Crunch*,² watching TED talks,³ and so on—and attending conferences is a good way to keep abreast of the new developments emerging right now in the digital space. If you run a web design business, you need to be across what's going on in your industry. You may not read every news source every day, but you must be aware of, and able to understand, those trends as early as you can.

For a web design business, around 80-85% of your activity should be in the business of today, generating profit and growth, while 10-15% of your work should be focused on finding clients who are working on Horizon 2 projects. Naturally, the work you're doing on Horizon 2 projects will eventually move into Horizon 1, becoming the meat of your output.

This leaves us with Horizon 3. In this area, you're completing a series of embryonic experiments. You're trying new things with new technologies. You're speaking with a client who's keen to approach the market in an alternative way, or use technology differently to run their business. These experiments are completed at a low cost, and quickly. The focus is on learning and understanding whether there are any opportunities for this kind of work further down the track.

Such projects are frequently born out of ideas that you or your team come up with internally, or ideas that clients discuss with you. Currently, my business is spending a lot of time discussing with our clients the different ways in which iPads might be used within their business or sector. For example, we see iPads having potential in the real estate industry, where people are out at a location, without a computer.

If you're a real estate agent and you have an iPad, you could annotate property notes with client feedback in real time, as well as tempt them to visit other properties on your books using rich media applications.

² <http://techcrunch.com/>

³ <http://www.ted.com/>



Nurturing Internal Ideas

The ideas that you and your team members have internally can be excellent sources of new experimental projects. In my business, we run a program called Quick and Dirty, where we ask employees to write down ideas they have for interesting prototypes or experiments on our wiki. Staff then form small teams of two or three people to develop the ideas quickly, in their own time. The teams then present their work to the rest of the staff at a monthly meeting, explaining the idea and the way they'd approached their solution to it.

This is a great process: it gives our team members experience in working together on innovative projects, and is a great way of diffusing information across the rest of the group. Plus, of course, you have a demonstrable outcome at the end of the experiment.

Some ideas, like the real estate app for the iPad, can be difficult to prototype quickly, but you get the idea: consider ideas, pick out a few, and focus on developing examples quickly and cheaply, without making too much of an investment on any one option. After all, these are speculative projects, and the degree of risk can be high: you want to gain a feel for whatever new areas you've chosen quickly.

If you can find clients—or you have your own ideas—that fit into Horizon 3, running a short, experimental project is a great way to create an outcome. We believe that 3-5% of your business should take place in this space. If you have staff who aren't working on a client job at any point, or aren't fully utilized on client work, you can use them to help you develop projects in Horizon 3.

Moving Projects to the Mainstream

Completing projects in Horizons 2 and 3 is only half the battle, though; how will you turn the right projects into growth engines for your business? Or, if you're feeling ambitious, how can you use those experimental projects to disrupt the business model of today?

The answer to this question has two parts. To move projects into your business's mainstream, you need to look externally, at clients and the market, and internally, at your own processes.

Clients and the Market

Your Horizon 2 work is client-funded. To move this into your business's core work, you need to focus on finding lead clients who are interested in working in these emerging growth areas, then on building up strong references as you develop your capabilities in

these areas. These concepts and technologies *will* become the business of today, and it's up to you whether you integrate them into your business before your competitors do.

Usually, we consider the work we do in Horizon 2 has around two or three years in that space before it becomes mainstream. That's our window of opportunity for developing strong capabilities in those areas.

Horizon 3 projects may require some investment from you, although most of the time you'll want to at least break even on these experiments, if not make a profit. If you do invest in them, you need to ensure that they don't become runaway trains. Be sensible about the way you approach these projects.

One of the most common traps I see in web design businesses—when they begin to play in Horizon 2 and 3 arenas—is that they become confused about whether they're a product company developing a new product for the market, or whether they're a web design business that services clients. There's no right or wrong answer there; we've seen companies like 37signals make that transition very well. However, many businesses in this position find that they're putting so many resources into developing products that they begin to neglect clients, or fail to win new clients, and their revenue suffers accordingly. As we've seen, Horizon 2 and 3 projects are less profitable than those in Horizon 1.

The answer here is to find the balance: if you're serious about future-proofing your business, you'll realize that short-term survival is essential to your long-term strategy. But you'll also need to make sure that you maintain relevance, and that you have the skills to lead clients into new areas. That's what will keep your business alive and thriving in the long run.

Your Internal Processes

The other aspect of bringing your speculative and leading-edge work in your business involves your own internal processes and project methodology. What often hurts web companies is that their processes break down when working on these more innovative projects, and they end up with a runaway train: they're just unable to finish the project, or get it right, and they lose thousands trying.

To avoid this scenario, you continually need to develop your processes and capabilities. As your business grows, you'll require more processes, so that each new person you bring on board knows how tasks are done at your workplace. But you also must ensure that your processes and your way of delivering projects are also keeping pace with change.

How can you do this? Again, use the three-horizon model to help implement these process changes. One idea that might fit into Horizon 2 or 3 for your business could be using open, collaborative systems to communicate with clients. While many web design businesses may already do that, it might be new for your business. You can apply the same approaches that you would for developing, for example, skills in mobile app development, to building your experience with ideas like collaborative project management.

You can identify the areas in which your processes need to evolve to fit a new project or work type through project post-implementation reviews, client service interviews, and instilling a philosophy of continuous improvement and open communication among your team members. If you use these techniques well, they'll be invaluable in helping you hone your methods, keeping your business competitive, helping you maintain profit margins, and avoiding losses on work.

Example 18.3. Tying It All Together: Clients, Processes, and the Future

When I took over the running of a web design business, I found that they were very good at client relationships and winning work, but their approach to project delivery had moved almost to a cookie-cutter approach. I felt that while that model had been successful in the past, the world was changing fast, and this focus on the past wasn't helping us to adjust.

The challenge I had at the time was that staff would say to me, "We're not a dot-com startup. We're an established business—we're different." I felt we needed to be able to exploit the core business and the capabilities we had at the time, but we also needed to explore and develop our capabilities that were relevant in the future.

This philosophical shift was difficult to manage, but we got there. A key part of that shift was learning to say no to work that was unprofitable or too competitive. One area that I consciously decided to avoid was e-learning projects. While that had been a reasonable portion of our business—and had been quite lucrative—clients tended to require a lot of maintenance and were slow on delivery; in addition, we had few profitable clients in that area since we were competing against service providers who had commoditized their offering. So I decided to stop working in this field, and made conscious decisions about what we needed to start doing.

Continually ask yourself: What do I need to stop doing? What should I start doing to maintain my competitive capability? These questions are key to making sure that you're future-proof.

Fostering a Culture of Innovation

To really keep your business ahead of the curve, you'll need to foster a culture of innovation. While not everyone who works in your organization will be among the world's greatest idea-generators, everyone in your business has a role to play in innovation.

For example, your project managers may be among the most risk-averse people on your team, and some may not be strong innovators. However, if they're good project managers, they'll be able to help you implement innovative ideas in practice. So recognizing that everyone across your organization has a role to play in fostering that innovative culture is extremely important.

There are two components to this equation: from a business perspective, you need to look at the processes you put in place to facilitate innovation. But you should also support and encourage your people to innovate.

Facilitating Innovation: Three Models

One of the primary techniques I use to support innovation on a day-to-day basis in our organization works like this. At the start of the year, we create a pool of time—maybe 1% of our available hours—for innovative projects. We then ask staff and clients for ideas, and look at the ones we like the most. Then we allocate team members to work on that project, pulling the hours out of that time pool we created. This structured innovation model provides some space for people to innovate; it has let us devise a method for identifying what we believe the best ideas are, and engenders collaboration across the group; it also lets us treat those projects as real projects, with real outcomes, instead of being hobby or side-projects.

Let's step through an example that shows how it works. An idea came in about sourcing feedback from crowds in real time; for example, during a workshop or presentation. One of my team members came up with developing an app—which we ended up calling Crowdswell—that aggregates the simple positive and negative feedback input by audience members logged into the system, and shows that on screen for the presenters.

When this idea was first identified, we could see that it was applicable to a range of the work that we did—both internally and for clients—so we put a small team together, and had them spend a few days developing the application. Soon after, we ran a webinar within our organization, and tested the app with 15 people. This test helped us refine the way audience feedback was interpreted and aggregated, but also highlighted that we needed to be able to build a question feature into the app; as the presenter spoke, indi-

viduals could submit questions, and a voting mechanism would allow the crowd to either reject certain questions, or put them forward to the presenter.

In short, the process was:

1. Identify the idea
2. Assess it
3. Allocate some time to its swift development using your best team members
4. Conduct a real-life test to obtain results
5. Refine the project
6. Sell that project type into the market

In planning to facilitate innovation, consider the approaches taken by the most innovative companies. You may hear of organizations, such as Google, that let certain team members spend 20% of their working week on any project they like; in my view, innovation can happen anywhere in your business, and all your team should be involved. The more diverse the pool of thinking and skills that's applied to innovation, the better the results will be.

Then, there's Gore,⁴ the company that makes GORE-TEX, as well as the world's best guitar strings, space suits, and so on. In that company, people who have ideas are charged with the task of recruiting others in the business to help develop those ideas. If more than three or four people really like the idea, they can obtain permission from the business to work on the idea either part-time, or full-time for a limited period with the financial support of the company.

Alternatively, you might consider using the crowdsourcing model of innovation—seeing if the development of any of the ideas you have can be put to an interested crowd, or the open innovation model—where you seek ideas and prototypes from anywhere, and provide the platform for execution. Apple, for example, didn't develop all iPhone apps in-house. It opened its API and is now letting developers from all over the world shape app development.

No matter how you foster innovation, some elements of the process remain constant:

- Have a broad pipeline of ideas
- Never pin all your hopes on any idea
- Use rapid prototyping to prove your concepts at low cost and in a short time
- Ideas that fly will fly; let the others die

⁴ <http://www.gore.com/>



Further Reading

If you're serious about the future of your business, and the industry, we recommend you read widely in this area. Consider:

- *Crossing the Chasm: Marketing and Selling High-Tech Products to Mainstream Customers* by Geoffrey A. Moore⁵
- *The Alchemy of Growth: Practical Insights for Building the Enduring Enterprise* by Mehrdad Baghai, Stephen Coley, and David White⁶
- *The Art of Innovation* by Tom Kelley⁷
- Eric Von Hippel: <http://web.mit.edu/evhippel/www/>
- Terri Kelly: <http://mitworld.mit.edu/speaker/view/1021>

Engendering Innovation: People and Possibility

Having a process for handling innovation is essential to your future-proofing plans. Needless to say, people are, of course, crucial in fostering a culture of innovation.

Apply the notions of future-proofing and innovation through your mission statements, business plan, and company culture. Not only do you need to be explicit and say it, you also need to encourage your staff at all times to look for better and smarter ways of working—creating solutions and delivering them.

A key component of this approach's success is to learn about your team members' passions, and have them explore those passions in their work on ideas for innovation. For instance, if you have an employee who loves the mobile space, have that person prototype the next mobile idea you or your clients come up with. Let them feed their passion back into the team, expanding the sense of ownership, expertise, and knowledge within your business.

⁵ Moore, GA, *Crossing the Chasm: Marketing and Selling High-Tech Products to Mainstream Customers*, Harper Business, New York, 1999

⁶ Bahai, M, Coley, S, and White, D, *The Alchemy of Growth: Practical Insights for Building the Enduring Enterprise*, Basic Books, New York, 2001

⁷ Kelley, T, *The Art of Innovation*, Crown Business, New York, 2001



Supporting Passion Internally

My team uses Yammer, an internal microblogging platform, to share cool and innovative information they've discovered in their fields of interest. It's quickly become an invaluable tool for distributing information that actively supports innovation within my business.

Rather than formalizing your encouragement of innovation among staff members, give your team ownership of the areas they really love; give them the tools to propagate, share, and spread information on their passion.

Avoid hiring one-trick ponies or people with commoditized skills when you're looking for new staff. Instead, hire people with the newest skills, and the ability to adapt and learn.

When we hire people for our business, I'm more interested in high-level skills than the toolkits the individual team member might currently use. We're also interested in a candidate's proven ability to adapt and change with technology over time. This way we can be assured that as technologies change and our business evolves, the team members we have can evolve with us.

Have a look at the T model shown in Figure 18.2. This represents the breadth and depth of the skills that a single individual has. In our business, we try to hire staff with a breadth of skills in critical areas—communication, project management, and so on—as well as a depth in their key technical capability. If we do require an expert with a specific skill set in one technology, we employ those specialists on a freelance or contract basis.

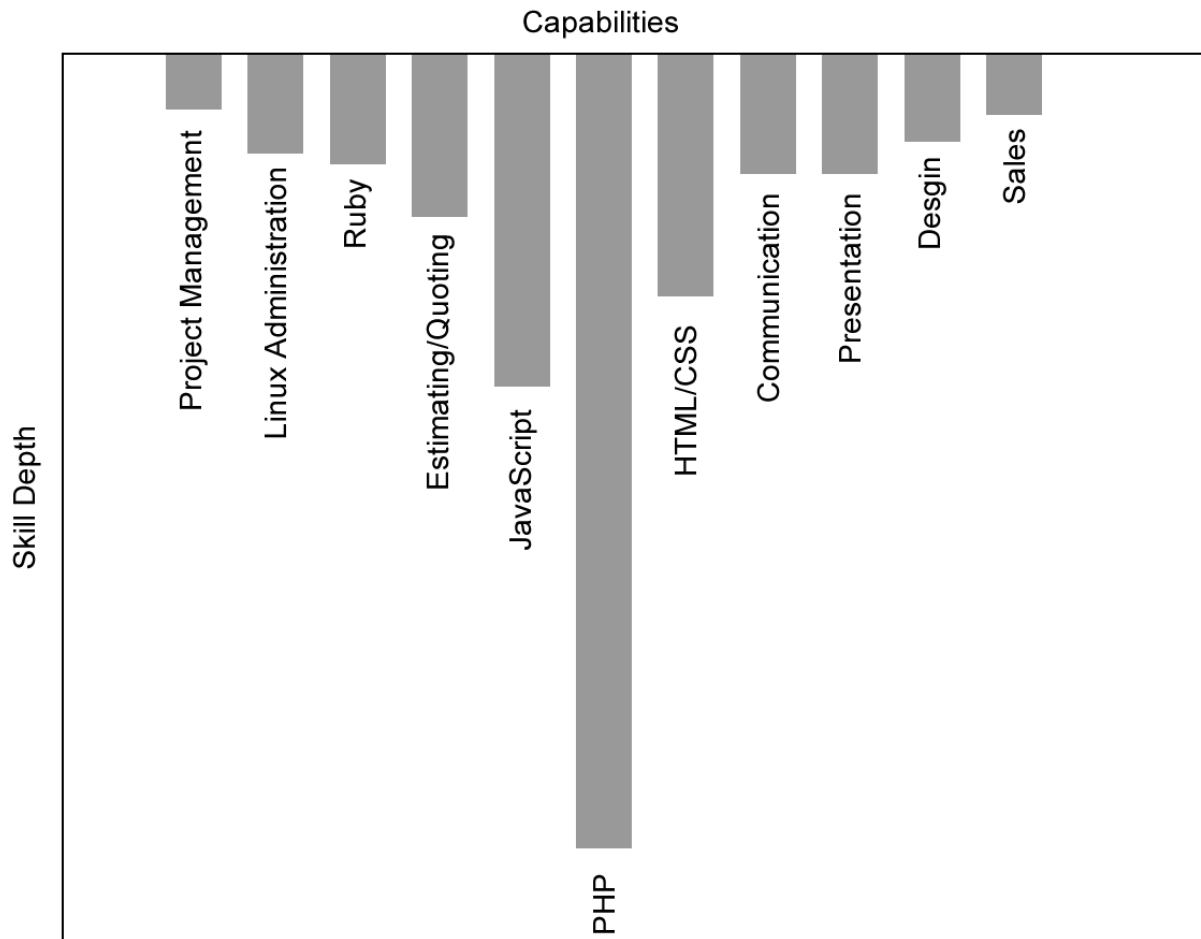


Figure 18.2. The T: a Model for Assessing Staff Capabilities

Put an innovative culture in place. Choose the right people for your team. Align your peoples' work to their passions. Provide the tools for information to flow freely through your organization. Let people gain status as experts in their areas of interest, and give them the opportunity and support to win work in those fields. These fundamentals are essential to reducing the risk around innovation, and ultimately, to future-proofing your business.

De-risking Your Future

The paradox of future-proofing is that it entails risk. Innovation is risky business, but there are a number of ways you can reduce the risks you face as you work to future-proof your business.

Firstly, when you're developing Horizon 3 projects, don't ever throw everything you have into one innovative idea. Pick the ideas you like the most, and see how quickly and

cheaply you can produce a prototype to bring them to life. Not every idea you have will be a winner—many may fail to work at all. Experiment with a range of ideas, and be disciplined about which ones you take forward. Will your idea really work? Will it scale? Be prepared to fail fast, and fail cheaply.

Once you have an idea prototyped, put it in front of a client. See if you can gain some market interest to help you take your idea further, rather than funding the development—and assuming all the risk—yourself. Avoid becoming emotionally invested in any innovative ideas: your role as an innovator is to see which ones will lead your business into the future.



Take a Tip from Thomas

Thomas Edison created more than 2,000 materials tests before he found the right metal to use as the filament for his electric lightbulb. That's a lot of tests—and a lot of failure. Rather than be wedded to any specific idea he'd had about what the filament should be made from, he tested his ideas cheaply, and discarded each option as it failed.

In de-risking your future-proofing efforts, you'll need to maintain the right balance of clients. You'll require a stable of underpinning clients with ongoing, complex needs and a propensity to outsource web work. By building strong relationships and gaining references and referrals, you'll reduce your risk of failure in the short term. Next, look to augment those clients with some lead clients who, while not having ongoing needs, are looking to push the envelope. This way, you'll secure your business into the immediate future, while building your skills and experience into the long term.

Finally, de-risk your skills base as much as possible. Hire and support staff members who have the skills you need, and who can adapt to new technologies, concepts, and markets as your business evolves and your clients' needs change. Give them the encouragement and tools they need to be innovative, and you'll soon find them essential to your future-proofing efforts.

Summary

Are you feeling inspired about your prospects for creating a future-proof business? You should be! This chapter began with an explanation of the basics of the task, and provided an invaluable, widely used model that you can use to understand the nature of your business. This model will also provide a clear picture of which portion of your work is innovative—helping to future-proof your business—and where you need to do more future-proofing work.

Next, we looked at the ways in which you can select bleeding-edge technologies and concepts, and work to move them from the flights-of-fancy category to the everyday-work category. What we're talking about here is taking your dreams and making them part of the work you do every single day. That's exciting stuff. To really make it possible, you'll need to foster a culture of innovation in your organization, and that will require that you adopt a model for facilitating innovation, as well as hiring and supporting your staff to innovate every day, at every possible opportunity. That may sound like a big request, but with the techniques we discussed here, it is possible.

Chapter 19

Business Models: Reuse and Productization

In this chapter, we'll move beyond the fee-for-service web development business model, and look at other approaches you can take with earning revenue through your web design business.

First up, we'll refresh our memories on the primary business model we have discussed so far—fee-for-service—and also have a look at its close cousin, a model I will call **body-shopping**. Then we'll explore two other models: reuse and productization. I'll give an overview of the nature of each model, and a sense of the risks associated with each. We'll also look at the pricing approaches you can use with different models.

Next, we'll look at the process involved in moving from straight fee-for-service development work to a reuse model. How can you take your processes, documents, code, and other assets, and make them into reusable modules that let you gain efficiencies and ensure consistency in your solutions? This chapter has the answers.

We'll spend the last part of this chapter looking in detail at product development. I'll explain the process we use for taking a product from an idea to a marketable commodity with minimal risk. We'll discuss the important considerations of product support and maintenance, as well as the important points you'll need to master if you're to successfully balance product development alongside your fee-for-service web work. We will also touch on intellectual property protection—a matter of concern for many aspiring product developers.

Understanding Business Models

There's a number of business models you could use in your web design company. The first is a fee-for-service model that's generally project-based, in which you charge fees for the services that you provide. This is the way most web companies start out: being paid to provide their services to complete client projects.

Another business model is what we call the contracting or body-shop model, where you aggregate people to create a pool of talent or skills, and hire them out on an hourly or daily basis to clients. Rather than being responsible for project delivery, you provide people to other project teams. Often, a large client may need a resource (say, a designer) for a time period—perhaps a month. Effectively, you charge fees for the hours in which that business uses your skilled resource.

This model entails a few potential issues:

- You have no control over the project, and your people are working under another person's direction.
- You're unable to build a lot of IP or capability in your business, since your employees are effectively backfilling gaps in someone else's team.
- Typically, the rates you can charge for this kind of work are lower than those attainable in the fee-for-service model.

Most web businesses that start out working on a fee-for-service model soon wonder if they couldn't gain some value out of reusing pieces of their work. This is the reuse model. If you're able to reuse things such as methodologies, wireframes, user requirements and specifications documents, code, and so on, the cost of completing a project will be reduced; rather than starting these tasks from scratch for each new job, you'll be able to leverage your existing assets.

Reuse can be practical across all aspects of the project life cycle. For it to work well, you must have repositories for all the project objects and artifacts, which reduces costs and makes your work and processes much more repeatable in subsequent jobs. The fact that you've already tested these assets—code, for example—means there'll be no need to test those aspects of the project again. This, too, can reduce the cost of the project to your business.

The next model falls naturally out of the reuse model: it's the productization model. Perhaps you can see that some work you've done in a client project could be applicable

to many other clients, or could represent a market opportunity. With this model, you're selling a product, or access to your intellectual property, for a price. Generally, it's a price per use. The benefit of the product model is that you focus on developing that product; you're investing in developing the intellectual property, but if you can scale it and sell it to a lot of people, you can make much higher margins on it than you could using the other models we've discussed.

Many web businesses start out using the fee-for-service model, then see a product opportunity in some of the work they've done. The business takes on a dual focus—clients and products—and can become confused. You may find that you're diverting resources from client projects to work on products, but it may be some time before you're expecting to generate a return on the product. Thus, diverting the resources has a direct impact on your cash flow. Often, you may develop in isolation a product that you feel is unique and distributable, but when you go to market, you discover that there's a lot of competition for your idea. That can make your product very difficult to sell.

The philosophy of product businesses is also very different than that of fee-for-services businesses. If you have a product, your philosophy is, "I have this to sell; you should buy it." In a fee-for-service business, the philosophy is, "What outcomes do you need? I can help you achieve them." We see businesses fall into trouble when they're unaware of this difference—going out into the marketplace unsure of which questions they should be asking.

If you are interested in embarking on the product model:

- Have a clear limit on how much you're willing to invest in the product.
- Cost the product as you would a normal client project.
- Consider what you'll need to do to get the product to market, as well as advertise and sell the product.
- Work out how you'll support the product in the longer term.
- Identify how you'll maintain development to keep the product relevant to customers.

A good example of a company that moved from the service model to the product model is 37signals.¹ This company developed a range of tools for their organization's internal use—including Basecamp and Backpack—and then offered them as a software-as-a-service product. While there are a few good examples of web design businesses that offer web design services and commoditized products, there are also many disasters where businesses

¹ <http://37signals.com/>

couldn't keep a grip on the resources they were dedicating to product development, or blurred their focus on client work.

I believe that most web companies starting out should focus on service provision, and doing great work for clients. They should think about reuse as they start to expand and develop, and consider using the body-shop model if they hit periods of low cash flow. But they should think very carefully if they're thinking of moving into a product business. As Table 19.1 shows, every business model entails a degree of risk, with the product model being the riskiest of all.

Table 19.1. Understanding Business Model Risks

Business model	Risk level	Reasons for risk level	Likely return
Fee-for-service work	Medium	You have a responsibility to deliver, and meet project objectives.	Medium
Body-shopping	Low	You have little to no responsibility for the project outcome.	Low
Reuse	Low	The reusable components and projects are within your control, and you target the highest returns for the lowest effort.	High
Products	Very high	Products involve high investment, plus technical and market risks, and represent a different business in terms of management and investment.	Medium to very high

If you're interested in product development, try to reduce your risk in the project; instead of developing the product on a whim, try to find a client or two who are interested in working with you to develop the product. In those cases, we usually create a rapid prototype and take that to clients to see what they think of it. The aim is to try to find a **light-house client**—the first client you'll work with on the product to ensure that the way it's designed and used actually reflects the realities of the market and its needs. This approach basically takes the user-centered design philosophy we see in web projects and applies it to product development. It guarantees that you have a real user who can help you identify the nuances of the use case, so that you can design the product accordingly.

Pricing and Your Business Model

When you're thinking about pricing your offering, the rule of thumb is to estimate the level of effort and your overall cost of the project or product; then apply a margin to it for a final price.

For body-shop work, you'll charge a rate per day or per hour. Here, consider the cost of labor, including all the overheads such as wages, insurances, retirement benefits, and so on, and apply a markup to that. I believe the markup should be around 100% for this model. The contract would ordinarily be set for a fixed period of time, and you'd charge the resource out at the rate you've calculated for that time frame.

The point of the reuse model is to reduce your costs, but if you've developed IP in your business that makes you more efficient, you should consider applying a price to each of the components that you use. If you're going to use a consistent method of website login authentication, for example, because you have prebuilt that component, put a price on it. The price you choose should be based on what it cost you to build the component, but you'd likely discount the overall cost of the build, seeing as you'll be able to resell the component multiple times. Perhaps you'll base your price on a cost of 30-40% of the overall cost of development.

This is a good approach to take with reuse pricing: rather than continually underpricing the component because you know you've already developed it, this approach lets you apply a price to represent the value of the IP you've developed.

Product pricing can be quite difficult. Look at similar products in the market, and have a look at how they're priced. Most likely, you'll be selling your product in the software-as-a-service model, in which case you'll need to consider what it's costing you to provide the product, deploy it, maintain it, and support it, but your pricing might also be based on the sales you anticipate. Initially, you may need to do some market testing to arrive at a price—speaking to potential customers (who may be your existing clients) to gauge their attitudes to different prices.

Also consider the different pricing models that can be used with products. For example, we sell an online leadership development product, which focuses on individual development. Accordingly, we charge a subscription price for each person who uses the product. Another of our products involves online education combined with innovation management. It's designed to provide benefits across an organization, so we charge a price to every organization that uses it, rather than on a per-user basis; however, we'd consider the overall number of users in the customer organization in order to arrive at a price for their usage of the product.

Maximizing Reuse

In web businesses, you may create a great solution for a client, but when you come to the next project, everyone wants to start with a blank sheet of paper. The mentality of your

staff or organization may be that you'll always start again because next time you'll be able to do it better. While that may be true in some cases, there's an alternative perspective.

When you start a project, look at the components and ask if there's an element in the project that would be common to all the work you do. For example, your methodology would likely be common to multiple projects. Consider if you should use this new project as a way of developing a component that you can continue to reuse in the future.

The key aspect of this approach is to decide that you'll adopt a standardizable methodology for the new project; you'll acknowledge that it may cause the project to take extra time, but you'll commit to running the project so that you can record and document the new process you're planning to reuse. Then, when you reach the end of the project, all the elements of your project methodology will have been created in a way that permits their reuse in future.

For this approach to work, you need to make the decision to reuse a given component *at the start of the project*, so that you can plan for the extra time and work it'll take to document and develop the component in a way that allows it to be reused. If you turn around at the end of a project and decide only then that you want to reuse some aspect of it, you'll likely have trouble. There may well be key documents, processes, or approaches that you failed to record, or code that, though you may want to reuse it, has been developed in a way that makes future reuse difficult. So the first step is to identify potentially reusable components in the project.

Once you've identified these components, you must work out what needs to be done to these project artifacts to make them reusable. The answer will often entail a higher level of documentation (which you might simply do through a wiki), and a higher level of testing rigor—even for methodologies, test scripts, and so on.

If your reusable component is code, consider the language used: is it one your team is familiar with, and so will make maintenance easier? You'll also want to think about how well-documented your code needs to be, and how you can architect the code so that it can easily be dropped into other projects you'll undertake. As you've realized, it's easier to ask these questions ahead of time, in the design phase, rather than trying to retro-fit existing code to multiple projects.

As you begin to look at reuse, don't try to reuse every aspect of a new project. Instead, identify the key elements that you'd be likely to use in 85% or more of your projects. Some of the logical candidates for reuse include methodologies, test scripts, test plans, project plans, status reports, user requirements, and so on.

If, for example, you decide to standardize a user requirement like web user authentication, start to look beyond this at the other elements around it that could be standardized. As well as the requirement description, you might look at standardizing the code, the documentation, plus the testing plan and scripts around this item. Suddenly, you have a nice, neat, reusable package that lets you define and create user authentication functionality quickly and easily.

Once they're developed and you're working with them, review your reusable components as you do any other part of a client project in the post-implementation review. You may find that in some cases, they're slotting in less smoothly than you'd hoped they would, which may give you a reason to review or hone your reusable components to make them more efficient. A good post-implementation review might also reveal areas for possible extension of the reusable component, to help you gain even greater efficiencies in future projects.



Tracking Your Investment in—and Return on—Reuse

To keep a close eye on how much your reusable components are costing you to develop, look at your time-recording system. Your staff should be clearly recording the time they spend on tasks involved in developing the reusable components, so that you can total this for a component cost.

Similarly, if your staff are accurately recording the time tasks take, you should be able to get clear before and after pictures of time usage; this will indicate how effective your reusable component has been in creating efficiencies. So if you've created a standard pitch process, for example, have a look at the time your team spent on each pitch before and after the process was standardized.

Developing Products

Having gained experience with reuse, many web businesses eventually seek to move into the product space—usually while maintaining their fee-for-service business. We mentioned above that when we come up with a product idea, we usually develop a rapid prototype and take it to a client as soon as possible, to see if we can interest them in funding the product's development. Let's look at this process in more detail.

Figure 19.1 shows the product development process that we use in my organization. This process works whether you're trying to make a product from a reusable component you've developed, from an idea a client has given you, or from an idea your team has come up with internally.

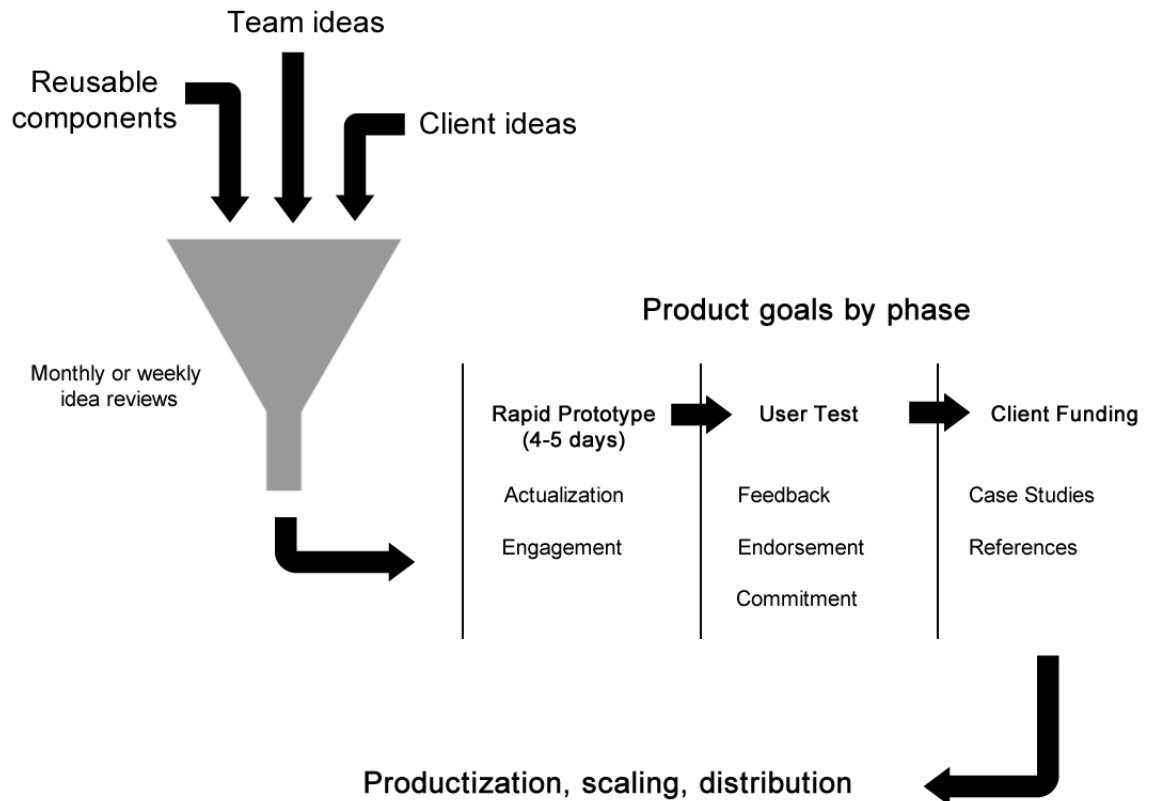


Figure 19.1. An example product development process

Product ideas take virtually no appreciable time to come up with. We review new product ideas regularly in our staff meetings, and choose the ones that we feel are the most promising.

The next step is to bring the idea to life by creating a rapid prototype. Having chosen an idea to develop, we'll assign the prototype to some team members with relevant skills, and charge them with coming up with a functioning prototype of the product. We'll draw from the pool of hours we put aside each year to dedicate to innovation, which we discussed in Chapter 18, and allocate some time to the prototyping task. Depending on the size of the job, we might allocate up to five days for prototype development. The result is a product that we can use to engage with our audience.

User-testing the prototype is the next stage—this is our chance to place the product idea in front of people who might use it. Most of the products we develop have corporate applications, so we'll meet with clients or contacts in the appropriate disciplines or markets, and present the prototype. Within a very short space of time, we gain their feedback, ask for their endorsement, and if they're excited about the project, invite their commitment

to help develop the product. Once we have a couple of clients who are willing to fund the project, we move forward.



Develop with a Client

If we're unable to sufficiently interest two clients in funding the development of our product idea in their own businesses, we don't go ahead with the idea. Ideas are easy to come by, so it pays to avoid becoming too attached to them. If the prototype holds no interest for your clients, there's unlikely to be a market for the product. Don't spend your own money developing a product that no one else will pay for. Face the fact that the concept lacks a market, and move on to your next idea.

The next phase of the project involves building the product. Ideally, the build costs us nothing, because the committed clients fund the development process. We may have to fund small portions of the job, but usually client funding will pay for 80% of the product development cost. This reduces our investment—and risk—in the project, which is ideal for us. We're not actually looking to make money on the project itself: the goal here is simply to develop the product.

We then roll the product back to the clients who funded it, implement it in their businesses, and obtain case studies and references from them based on the results the product delivered. From here, the remaining tasks are to truly productize any aspect of the product that has yet to be fully componentized—to refine the product so it's as efficient as possible—and to design an approach to marketing and distribution that will allow us to sell quickly, gaining a strong foothold in the market.

At the point at which we identify a product idea, we have no users or revenue. That situation remains the same throughout the conceptual phase, in which we're prototyping, obtaining client commitment, and developing the product. But with the product's roll out to our first client, a lot changes.

At that point, our user count increases (by one!), and we have a real proof of concept: we've developed, tested, and deployed our product. Now we move from the conceptual phase into the productization phase. In this phase, we're working to refine the product, and develop sound support and maintenance plans for it. We may assign a product manager to look after the product's development, and work to find additional clients for it.

Over time, as we deploy more implementations of the product for more clients, we see the client and revenue figures rise slowly. The biggest risk we face at this point is **feature**

creep: potential clients, as well as the product’s developers and managers, may suggest features that the product “really should have.” This results in the developers spending their time adding to the product, rather than refining it. It’s important that the product manager keeps a tight rein at this point, maintaining a strong focus on the business’s goals for the product, and scoping the development work accordingly.

If development goes well, and aligns with market needs, there should come a point at which the business moves from productization to the distribution and leverage phase. At this point, the product is released as a commodity to the market. The product manager uses distribution networks to leverage the productized nature of the solution, which means that the userbase and revenues are able to grow much more swiftly than they did in the previous phases of the product life cycle. This is the phase in which—we hope—all the hard work pays off.

Product Distribution and Support Considerations

If you’re a small web business, you may find that existing market relationships can really help you get your product out there. In the case of the Apple iPhone, you might develop an application knowing that the distribution channel already exists in the app store, and knowing up front what cost you’ll pay for access to that distribution channel. The approach of using an existing distribution channel can let you reach a ready-made market very quickly.

In other cases, you may find that there’s a compatible organization that operates in the same space that your product will. For example, if you’ve developed an industry-specific product, you may look at working with the industry association as a natural distribution channel, since they’ll already have existing relationships with your target market.

You’d expect to pay around 30% on each sale to a distribution partner, and for that, the distribution partner would be expected to generate leads and sales. Your role is, of course, to deliver, maintain, and support the product.

When considering avenues, an increasingly popular approach to software support involves crowdsourcing support from your customer community. There are great tools, such as Get Satisfaction,² that facilitate community product support. Using these tools, users post questions or support issues, and your internal support team—as well as other customers—provide answers in a structured online forum. Over time, these answers comprise a support database for your product that customers can access for themselves, all while

² <http://getsatisfaction.com/>

providing you with a log of support issues and product problems that you can address and consider as you maintain and build your product further.

Whenever you're designing a product, think about the support burden it will represent. The easier your product is to support, and the more intuitive it is to deploy and use, the more profit you'll be able to generate from your product.

Balancing Project and Product Work

If you're looking to move into product development, but you want to hold on to your fee-for-service business, you're not alone—this is the approach that many web businesses take. As Table 19.2 shows, the two models have similar roles and goals. It's important that you understand these similarities, as well as the points of difference.

Table 19.2. Comparing fee-for-service projects with product development work

Fee-for-service model	Product model
You deal with individual clients that have specific project requirements.	You deal with multiple clients that have a shared, common set of requirements.
Roles for the project include: project manager, designer, business analyst, architect and developers, testers, and deployment team.	Roles for the project include: product manager, a build team containing similar skills to the fee-for-service project team, support and maintenance staff, and a sales and distribution team.
Project aims include: successful project outcomes, and the development of client relationships.	Project aims include: the development of a competitive and sustainable product, a compelling product life cycle, and scalability.

The differences you'll note here—in terms of project roles and project aims, in particular—are important. If you go into product development thinking that you need to cater to the needs of every individual customer, your product will likely suffer bloat during the productization phase. You'll have trouble making it scalable, and it's likely you'll struggle to successfully meet the generic needs of your product customer base.

From a financial perspective, it's best to separate your product budget and resource usage from your service business financials. This way, you'll always know where you stand with both businesses. If you blend those financials, you'll be unable to tell how well your product is performing sales-wise, or have an idea of whether product development is affecting your fee-for-service work. Try to make sure that you allocate an internal charge for any time spent on product work—you might simply record this at cost—and that you track the level of investment that you've made in the product.

From a business perspective, you need to ensure that you don't leave your clients feeling abandoned as your focus shifts. Over the years, clients have asked us, "Are you still doing web design work, or are you just building products now?" You need to be careful that as you develop products, you avoid alienating your existing fee-for-service client base if you want to operate both businesses. You may eventually decide to move away from the fee-for-service work, and that's fine; however, you'll want it to evolve as a conscious decision, rather than waking up one day to find that your clients have deserted you because they don't think you offer service work any more.

IP Protection

Many people who develop a product believe they need to rush out and patent everything they do. The patent process was once described to us by a client as the most expensive form of wallpaper in the world; it's a costly and time-consuming process to get a patent, and once you have it, the cost of defending it is usually prohibitive.

My view is that you should be looking to win market share in terms of your speed to market and capacity to gain scale within that market, rather than through patent protection. Obtaining a patent can suck the lifeblood out of your business, and diverts the team from focusing on the job and bringing the product to market.

In addition, patents are usually limited by national boundaries, so for a web product with a global footprint, the costs of patents can be enormous. Most web design businesses will be unable to scale in a way that will support that kind of cost. So unless you have developed a technical breakthrough, just focus on winning in the market.

If you're unsure about the appropriateness of a patent to your work, speak to a commercial lawyer who has experience in the technology field. If you speak to a patent lawyer first, they're likely to suggest that you need a patent, since that's how they make a living. Speak to a commercial lawyer first, and if they advise you may need a patent, then seek the advice of a patent lawyer.

Summary

You should now be in a good position to assess the reusable components of your business, and potentially turn them into marketable products that can deliver greater profitability.

In this chapter, we covered the key business models before looking closely at two: reuse, and product development. The information discussed here should provide a strong foundation for developing reusable components, giving you greater efficiencies—and

profits—on client projects. It should also help you to embark on a successful product development effort if you decide that it's where your future lies.

Chapter 20

Profitable Growth

Not all growth is good growth. Many companies grow revenues, only to see their profitability fall.

Good growth is profitable growth: you want to grow your business in a way that increases your profit margin. In this chapter, we'll explain how that's done.

First, we'll explore the concept of profitable growth and look at some of the riskier growth models. Then we'll take good, old-fashioned organic business growth, and see how to ensure that it happens in a way that's both sustainable and profitable.

In the process, we'll look at three key metrics that you can use to assess and steer your business's profitability: project profitability, client profitability, and staff utilization. As we'll come to see, keeping a close eye on these figures can help you make the adjustments that will boost your profitability, and ensure your business grows in a sustainable way.

Finally, we'll touch on some key techniques for controlling the organic growth of your business. Being inundated with work can be daunting, and as we'll see, the wrong response could increase your risks and undermine your profitability. The techniques we'll discuss should help you avoid disaster.

First up, though, let's get a grip on what profitable growth really means.

Understanding Profitable Growth

The key focus of many businesses is to be more successful through continual growth, generating more profit and more opportunities. But as I've already indicated, not all growth is good.

Growing your business at the top line, but losing it all at the bottom line, can destroy your business. There are many cases of businesses that grow too fast and become unprofitable through that process. Even though revenue may increase, factors such as cost of delivery, ability to coordinate and manage, quality of output, and ability to retain people become problems that ultimately kills those businesses.

Let's look at some of the unprofitable approaches to growth before we look more closely at what profitable growth really means.

Unprofitable Growth Models

While you may be making some small investments in areas of growth, the growth that you achieve must fundamentally achieve a better bottom line than you would otherwise have attained. One of the ways businesses often try to grow is to win more clients by discounting their rates. You might generate more revenue, but it will be less profitable than your prior revenues, while that work and those clients for which you've lowered your rates can become a serious burden for your business.

Another growth strategy might be to hire more people; the idea here is that with greater capacity, you'll be able to win more work. As we saw in Chapter 17, this is far from sensible. Avoid hiring ahead of the curve, and hire only when you're feeling real pain around your ability to deliver existing work.

A third approach to growth is to acquire another business—a possibility we also explored in Chapter 17. As well as being difficult to do, it'll divert your management attention from running your business, and cause such disruption and chaos that your bottom line can really suffer. Similarly, expanding your business to another location can create a whole series of leadership and cultural challenges, and can add significantly to your cost base as you find premises and travel between locations.

Profitable Growth

When you're thinking about growth, you need to ask yourself if the path you're planning to take to grow will improve your profitability. There are a number of pathways to growth, and what we call **organic growth**—building your client base naturally by winning new

clients—is generally the safest approach, and the most manageable. It allows you to continue to scale without increasing your fixed-cost base significantly, which drives profitable growth. Let’s look at this in detail.

In any business, you’ll have a cost structure that includes **fixed costs**, like rent, leases on equipment, administration staff, CRM and accounting systems, and so on. The larger your business can grow without increasing those fixed costs, the more profitable your growth will be. If you are able to win new clients without having to expand premises, buy more equipment, hire more staff, or use new systems, any additional revenue you earn will help to drive profitable growth.

Compare this possibility with the concept of growth by expanding to another location. In that case, you’d increase your rent costs, equipment costs, and administration staff members. The profitability of the work you might win would be offset by those additional costs.

The key to profitable growth is to always consider your expansion on the basis of how it can be achieved without increasing costs. Figure 20.1 shows a business’s profit margin compared to revenue as costs increase over time. As the graph suggests, if you can increase revenues while keeping costs static (or close to static), your profit margin will grow strongly. Keep your fixed costs as stable as you can.

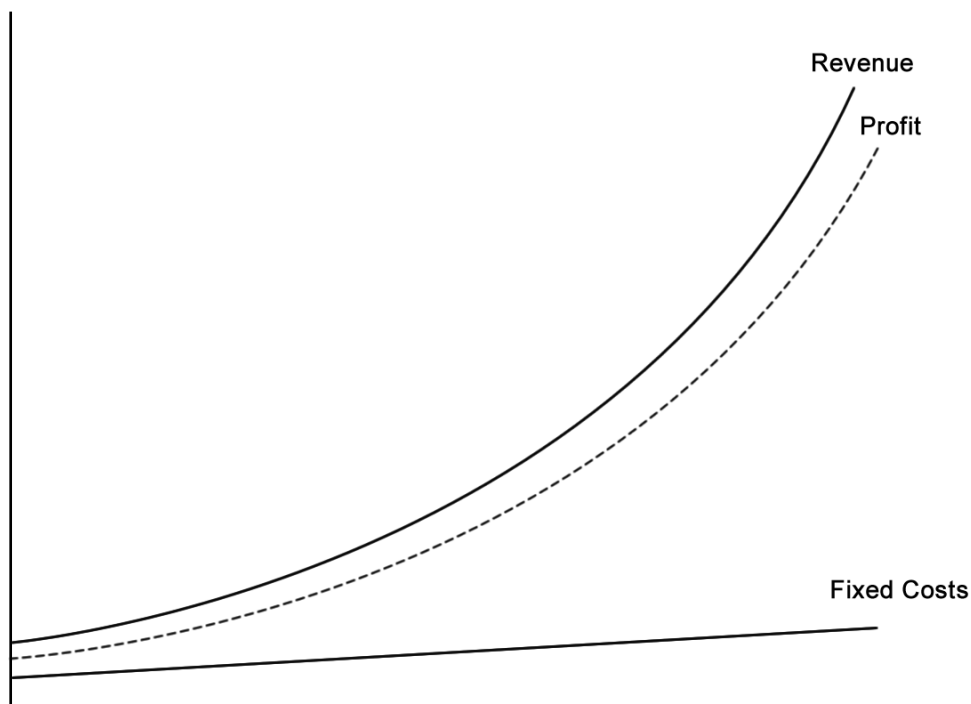


Figure 20.1. Graph of revenue and profit

We've covered fixed costs, but businesses also have **variable costs**, and in our industry, your greatest variable cost is going to be your staff. Consider the graph in Figure 20.2. Here, I've plotted the expected revenue growth for a business over the next year, and the profit margin I'd expect to make. The difference between your revenue and your profit margin is going to be your staff costs. If you put on more staff before you have the revenue growth you need, your staff cost will increase ahead of your revenue growth curve.

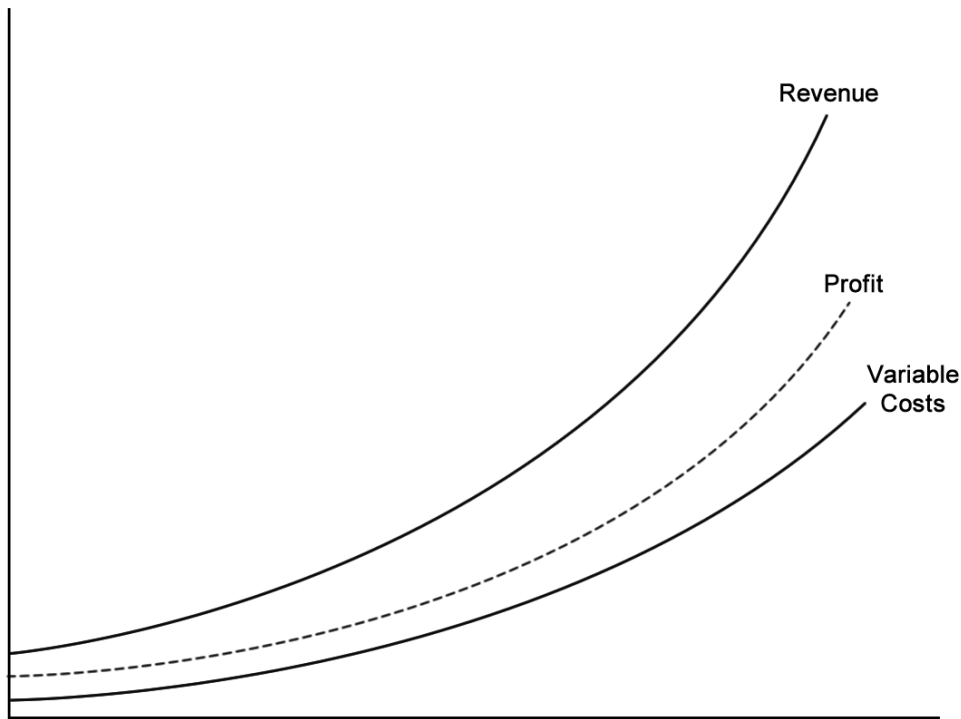


Figure 20.2. Graph of staff growth against revenue and profit

Look at your productivity level within your staff, compare it with the work you've already sold, and make sure that you're not adding too many variable costs as your revenues grow—all that will do is eat away at your profitability.

Project Profitability

The view we just discussed provides a good way to consider growth from a high level—an all-of-business level. But you should also look at growth at the project level by considering **project profitability**.

Imagine you've quoted a project at \$50,000, and you're looking to make a gross profit (revenue minus staff time) of 50%—a margin that web companies really should aspire to. That means that the job should cost you \$25,000 in staff time to deliver, so you'll have a

gross profit of \$25,000. But you may find that while you quoted \$50,000, the project ends up costing you \$40,000 to deliver, so gross profit is just \$10,000, or 20%.

Then, if you looked at your business and found that your fixed costs are around 25% of the quote, you're in trouble. While your project might contribute \$10,000 to the bottom line, it fails to cover its own costs.

Long-term profitable growth consists of a series of profitable projects. For this reason, you must consider project profitability, and ensure that the way you budget and quote on each project focuses on profit margin, fixed costs, and generating enough revenue to make your business profitable.

Client Profitability

You'll also need to look at your projects in terms of **client profitability**. We may have a series of projects for a client and, upon review, find that we always have budget overruns, based on the way we manage the projects for this client. At that point, you may decide that you need to increase the fees you charge to that client, otherwise you can't work with them. So, even though they may be contributing to your revenue growth, the client may be a negative influence on your business's profitability.

Client profitability is influenced by various factors at each stage of the project process. Let's step through them.

First, your ability to understand what the client requires, and to translate those requirements into a project scope and quote, is crucial. If you can't get that right, and you continually misquote, the problem may not be with your client—it may well be you.

Similarly, when you ask your staff for time estimates on certain project tasks, you might find that some team members are serial underquoters. To avoid this scenario, we always have a peer from the same part of the business review the team member's estimate to ensure it's realistic.

We also remove the price-setting decisions from the person who's managing the client relationship, because sometimes there's an emotional bond; the client manager wants to win the work, and may be tempted to underestimate the time the job will require. Having these checks in place helps you to make sure that the estimate—which is a part of the project that's within your control—is going to deliver profitability.



Don't Negotiate with Yourself

Sometimes we've overheard staff saying, "The client will never pay fifty for this; let's make it forty." They're negotiating the business out of a profit margin, without even seeing what the client thinks of the estimate. Don't let your staff negotiate the price down among themselves. Set a fair estimate and quote appropriately; then take that quote to the client. Negotiate with them if you believe you need to.

Next, you need to ensure that you track the work you're doing on the project. This is where time tracking, project management, and other systems we talked about in Chapter 14 become so important. We have to monitor the progress on the job—the work in progress (or time charged to the job)—by looking at each of the project's components.

So if we discover that the wireframes and designs for a project take ten days, when we expected it to be done in five, we take that as an early warning sign that the project profitability could be compromised. If components of the job are taking longer than you've estimated, and there are demonstrable, clear reasons for that—for example, there are delays at the client's end—you may be able to go and requote, or resolve those issues, before you've lost too much money.

Often growth will come from new clients, but as we know, with each new client there's a feeling-out period where you're both sorting out how to work together. That introductory phase must be undergone before you're working optimally with the client. If you can, avoid committing to long-term quotes when you're at a point of project uncertainty. If your new client asks you to commit to a quote for the end-to-end build of a project for which you've yet to really articulate the requirements, your ability to quote that job accurately is low. In fact, we've found that the difference between our quote and the final cost of the job may differ by as much as 50%.

The level of complexity a project has often takes a while to surface with new clients, and may not be apparent in the initial meetings you have with them. What we try to do is break down the project into bite-sized, manageable chunks, so that we can control the profitability of each one separately. We might start with strategy and requirements, and charge a price for that; then quote the next phase of the project thereafter. This provides a good way to minimize the risk attached to new projects, and gives us the opportunity to grow by acquiring new clients. Of course, undertaking the job on a chunked basis also agrees with the taste-test approach we discussed in Chapter 3; if the client's not right for you, or you're not right for them, you can opt out at an established point, before your business's profitability suffers.

Profitability and Utilization Levels

Another important aspect of ensuring the profitability of your business's growth is your utilization levels.

Let's say one of your targets is that each employee's available time will be utilized at a level of 80% or more. Monitoring this on a weekly basis will tell you if your staff are earning their keep. Of course, the flow of work will vary from week to week. How will you know if your staff aren't sufficiently utilized? In our business, we have a saying: if staff utilization is less than 80% for one week, it's an event; two weeks is a coincidence; three weeks means it's time for action. At this point, you'd need to look at why this is the case. Do you have too many staff for the amount of work you're doing? Alternatively, your pipeline might be filling with opportunities and proposals, but perhaps they're not closing as quickly as they should. Perhaps your utilization's dropping off, but your pipeline is failing to expand; this would suggest you've hired ahead of the curve.

The technique we use to support a healthy utilization rate in my business is this: tell staff what the target rate is, and have them take full responsibility for their own utilization levels. We find that staff who struggle to meet utilization targets over a period of months rarely become highly utilized. The problem may be them, or it may be you, but in our experience, this trend is difficult to reverse on an individual basis.

Reviewing utilization on a company-wide basis, as well as an individual basis, can tell you much about the way your operation is running, and how sustainable that will remain as you grow. For example, you might have one team member who's utilized 120% of the time, and another person in the same team who's only utilized at 50%. This would tell you that your project managers have voted with their feet and prefer to use employee A over employee B, regardless of how busy each person is.

When you discover a utilization problem, find out why it exists, and work out a way to resolve the situation. Have you done anything to reduce the time that employee has available for client work? Perhaps you've given them some internal projects that are reducing their utilization. Or perhaps this person is a less-skilled or slower worker than colleagues in the same area. Once you understand the problem, you'll be able to rectify it.

Reviewing your utilization weekly in the context of your pipeline of opportunities is a really good way of seeing if the growth you're generating is sustainable, and whether your business is the right size for the amount and type of work you're winning. As you grow, there's an even greater need for you to more closely manage and monitor the profitability of each project and client. You have to be thinking about your overall utilization rates,

and whether you've hired the right people for the right jobs. The wrong people will be like deadweights in your business, hampering your ability to grow.

Controlling Growth

So far, we've talked about growth from the perspective of you wanting to grow your business, and how to do that profitably. The other side of the coin is a situation of almost forced growth: the market expands faster than you can handle. Clients are rushing to you with projects, demanding proposals, and signing on dotted lines.

As we've seen, unplanned growth can damage your business's financial health, and endanger its chances of long-term success. How can you handle the situation where you're inundated with work?

First of all, don't discount any job; if anything, put your rates up. If your average charge-out rate per person is \$150 per hour, consider increasing it to \$200 per hour. This will filter out clients who are coming to you because you're considered a low-cost operator. If you're delivering projects of such quality that everyone wants to work with you, you need to leverage your maximum price per hour. So put those rates *up*. Yes, some clients may go elsewhere, but if they're unwilling to pay what's fair for your services, they're not the kinds of clients who'll help your business grow.

Second, be selective about the projects you take on. Being inundated with work is a great way to begin to filter clients and projects; perhaps, if you take on that new project from a certain client, you'll have to put on new staff because you lack the capacity for the work. Hiring is a risk in itself: if you're growing fast and you make hiring mistakes, they could cost you dearly. Instead, you might decide to de-risk your growth strategy by declining to take on new work from certain clients, or turning down certain projects that go in a different direction from where you want to head.

Summary

You don't just want your business to grow—you want it to grow *sustainably*. And with the information we've covered in this chapter, you can.

You now understand what constitutes profitable growth, and you know which growth models entail a high risk of unprofitable growth. Forewarned is forearmed: you may choose to take these routes to grow your business, but at least you'll do so in the knowledge of the risks you face.

We looked closely at organic growth, and how you can monitor various metrics to ensure your business's natural growth is profitable. As well as profit, you'll consider project profitability, client profitability, and staff utilization as you steer your operation to optimal profitable growth. You may also use the growth control mechanisms we covered to ensure your business stays on track now, and grows in the right direction.

Growth doesn't just mean more clients and bigger profits. It means a larger staff body, too. In the next section of this kit, we'll examine the nuts and bolts of hiring, retaining, and managing staff over six detailed chapters.

Chapter 21

Hiring, Firing, and Employee Ethics

We've all heard the saying that a business's staff is its greatest asset. In this section, we'll focus on issues associated with staffing your organization, and developing in your staff an ethical approach and skill base that will allow your business to reach its full potential.

We'll start by looking at the steps you'll need to take as you search for and engage a new employee for your business. Where will you find job candidates? How will you know if they're right for the job, and your organization? How will you negotiate the terms of their employment? I'll answer these questions and more in the coming pages.

Next, we'll discuss the importance of developing staff, and explore a few mechanisms that I've put in place to ensure that our staff are developed in line with their goals, and our business needs, over time.

Firing staff can be an unpleasant topic, but we'll face it head-on in this chapter, as we discuss the importance of setting ground rules, identifying behavior that constitutes grounds for dismissal, and observing new employees during their probationary period. We'll also touch on the legalities of firing staff—a necessary consideration for those hiring people to work with them.

The next section of this chapter deals with staff ethics, as we turn your ground rules into actual policies—for issues like equipment usage, intellectual property, and social media. While these policies may not be stuck to the pinboard in your lunchroom, they'll probably form an important part of your induction process, and provide you with guidance as you make staffing decisions in your business.

Finally, we'll see how you can manage employees' skills and attitudes in a way that helps them develop as individuals, providing your business with a loyal, capable, caring staff body.

Hiring and Developing Staff

Recruiting and developing staff can pose big challenges for web design businesses—particularly those just starting out. Are you looking to hire experienced, skilled staff who need little training, or are you looking to build a team of graduates with technical skills, even though they may lack the experience delivering projects in a commercial environment?

Neither is right or wrong, but we've found over the long term that our best success is achieved by hiring outstanding graduates who are really passionate about their own personal development. This really brings a lot of new life and enthusiasm to your team; however, many small web design businesses won't have the luxury of running this "apprenticeship" model. They'll need people who can hit the ground running.

Obviously, the types of candidates you're looking to hire will have a big influence on the levels of training and development you need to provide. Let's focus on the questions associated with hiring and developing your staff.

Hiring Staff

Hiring people could be the single most important task you do in the management of your business. Hire right and your business can grow. Make the wrong decision, and it can very quickly become messy.

There's no secret to finding the perfect employee. And yet, recruiting the best people for the job isn't 100% luck, either. Here's what works best for my business.

Finding Candidates

If you've taken the advice set out in the earlier sections of this kit, your first thought when it comes to finding candidates will be to look among your network of contacts. Start asking around, and the web development grapevine will soon turn up some likely candidates. If a colleague you trust recommends a person for a role, give that person serious consideration. Any colleague you know and trust is likely to have similar values to you; therefore, in theory, so will the person they recommend.

As we discussed in Chapter 17, you should also have a warm list of potential employment candidates on the go. This list, combined with your network of industry contacts, will

likely give you some strong leads; in some cases, however, you may need to speak to recruitment agents, or list the position on a reputable job website.

What should you look for in a potential employee?

We mentioned that you should hire first for culture, then for skills. Your new people have to fit into the team culture. If they don't fit in, despite the skills they may have, it will be very difficult to make the situation work.

If the person does fit your culture, what about their skills? The biggest indicator of a person's future performance is past performance, but we've found that it can be very difficult to accurately gauge a candidate's past performance.

Some employers suggest references should be carefully checked, but we've never read a bad reference, nor have we ever spoken to a referee who has said anything negative about a potential employee. Yet we can think of numerous examples where the references have stacked up beautifully, but the candidate wasn't right for us. From my experience, a reference isn't really a good indicator of what the person is like. Take those references and résumés with a grain of salt. They're meant to look and sound impressive; besides, it's easy to hide the truth.

Some organizations use online tests to screen candidates for development jobs, but that approach only goes so far. The most valuable technique we've found is to talk deeply with each candidate in the job interview, so as to try to identify the boundaries of the person's knowledge and experience. Then we try to take them beyond those boundaries, and see how they respond. Will they tell you they don't know the answer? That they lack experience in an area? Or will they try to bluff their answer? In our experience, we much prefer candidates who are willing to admit when they lack certain knowledge, rather than trying to conceal it.

This approach will give you a feel for the person's skill level, and their potential to respond productively when their limits are challenged. If you're unable to find the boundaries of a person's knowledge in the interview, you'll know that the person likely knows more than you do, so they probably have the skills for the job.

The Interview

For many small web businesses, the classic, across-the-table interview approach isn't ideal. It may not reflect the culture of your organization, and it may leave everyone feeling ill at ease.

Although particular questions, like those included in the **Employee Interview Questionnaire** included on this kit's CD, can be helpful, you want to be able to observe the person in a *normal* situation. Unfortunately, an interview across a desk or table doesn't enable the candidate this opportunity.

If the candidates are interviewing for a position where they'll have to work with others, put them in a situation with their potential teammates and see how they interact. If the position requires the ability to network, go out into a social situation—like an industry meetup—and see how they react. Obviously, a typical interview may be unsuitable in providing you with the information you need to make a well-informed decision.

Why even call it an interview? Why not just ask the person in for a chat or a coffee? Rather than a grilling, your “interview” will be more like a friendly conversation. This way, you're more likely to gain a better sense of the person than you might in a rigid and structured formal interview that recruitment theory demands. Many of the personal traits you seek, or wish to avoid, may only appear in this more relaxed setting.

In some cases, you may decide that there's no need for you to be in the interview; you may prefer to have the candidate meet the person who'll be their direct manager, or a couple of people from the team who they'll be working with. For another perspective on multiple people conducting the interview, you might be interested in Joel Spolsky's article on interview techniques.¹

Offering the Job

Things change fast when you're recruiting for a web role. The candidate you spoke to on Friday might have accepted another offer by Monday. If they're considering a range of options, they may wish to negotiate some of the terms of the employment contract.

Have a backup plan in case you do not land your choice candidate. Will you readvertise the position, call the second-best candidate you interviewed, or hire a freelancer to fill an immediate gap while you go back to your networks to try again?

Be prepared to negotiate the terms of the working arrangement. Web workers may request flexibility in terms of start and finish times; they may expect you to provide them with a new laptop and phone; or they may want to work from home a certain percentage of the time. Work out which aspects of the agreement you can and can't be flexible on. Don't be pressured into agreeing to terms that you're uncomfortable with, and feel free to respond to a request by telling the candidate that you'll have to discuss it with your team.

¹ <http://www.joelonsoftware.com/articles/GuerrillaInterviewing3.html>

The Probationary Period

Whatever agreement you come to, don't employ your new team members on a permanent basis until you've had a good chance to assess their suitability for the team. Your business success could well depend on it.

We use a standard three-month probationary period with every new person we take on. If we feel the person isn't performing quite as well as we might like in that time, as well as discussing that with them, we may extend their probationary period to give them a chance to meet our needs. Alternatively, if it becomes clear that the individual isn't working out, we can end the agreement with a minimum of hassle and stress on all sides.

Induction

Regardless of the makeup of your organization—you may have a combination of experienced people and graduates—when new people come on board, you need to spend time training them in the way your business operates.

New staff have to know what your business strategy and goals are, they're required to understand the business culture, and they must grasp how you work with clients. Importantly, they need to understand the processes and systems that you have in place to deliver projects consistently—from time recording and quoting to client collaboration.

We also provide every new team member with a buddy or mentor who they can shadow, and who can show them how things work in our organization. And up front, we also give staff clear performance metrics (more on this in Chapter 22). For example, if the new recruit will be working on client web projects, we tell them what levels of utilization we expect, what their role will be in helping to win work, how we expect them to develop opportunities and manage client relationships, and any specialization growth goals we have for their particular discipline.

Staff Development

The vast majority of our team members' development is going to come on the job, learning from the people in their teams, and their peers. But we also provide a lot of **soft-skill** training: if we have a software developer who's great at coding, we'd also want that person to be good at communication, negotiation, leading teams, managing projects, and so on. Providing access to training in these areas, as well as in technical disciplines, is an important part of their development in line with our business goals.



Education, Experience, and Recruitment

Training staff members can be expensive, and it can cost you even more if staff members aren't interested in picking up new skills to further their careers. As you interview candidates, ask questions that will help you gain a feel for each individual's interests and propensity to learn new skills. We always ask potential candidates if they've done any study or courses recently, and what books they're reading.

In a recent example, two candidates each had the skill set required for a role in our organization. But one candidate was completing a one-year course part-time, in her own time, with her own money, and was actively blogging about her discipline. The other candidate had learned her skills on the job, and while she'd done the training provided by her previous employer, she hadn't undertaken any study or research, or participated in any events outside of that. We hired the first candidate. We believe that she showed a stronger inclination toward self-development—and that's the difference between an individual who wants a job, and one who wants a career.

To support staff development, our organization subscribes to a number of online training databases. We provide an outline to each new employee of the training that we expect them to do as part of their career plan. We also run training sessions among ourselves. For instance, as part of a staff meeting, one person might provide half an hour of training on how to more effectively obtain project requirements, or improve client communication. Hence, we use a combination of on-the-job training, our own internal skills base, and subscription training services—with associated performance metrics—to continually improve our staff's knowledge and capabilities.

There are always high-end web-related conferences running somewhere in the world; as a rule, we avoid sending people to these at random. If we do send staff to a conference, we require them to share their learnings with the rest of the team when they return. Those conferences can be very expensive, so it's best to be strategic and considered about which ones your staff attend.

Staff members may well hear about a web conference in Paris, or at Vail ski resort in Colorado, and try to convince you that their attendance is crucial to your business's survival. We avoid these kinds of requests, preferring instead to take a structured approach to our conference attendance, and to staff rewards. For example, we have an Innovator of the Year award within our business, which comes with a gift of \$5,000 worth of training of their choosing. So if the winner wants to go to Vail—and foot the bill once it exceeds \$5,000—that's fine.

The key to making your training program work is to be clear with staff up front that you expect them to own their development, and be committed to their professional growth. You'll support them, but it's up to them to make use of the opportunities they have on the job, using the courses and education you provide.

I often find that clients will ask us to come and deliver training to them. This gives our people great opportunities to be the trainer, which can be enormously important in their development: they need to do the research, and then plan their presentation to deliver the training course. We find that to present a good course, you need to learn far more than the people you're training. So encouraging your staff to develop training and education modules to deliver to clients, or internally, to other team members, contributes to a culture of continuous development and learning.

Training Budgets and Plans

You should set aside a training budget each year—perhaps it's one or two percent of your revenues—so that you know what your training cost will be. Then look at how you'll gain the greatest bang for your buck. You may want to spend it on training subscriptions, rather than face-to-face courses. Or maybe you'll run internal—or staff-and-client—training events that cost you only in terms of venue hire and refreshments. We find that having the whole team involved in educating the rest of their colleagues about their discipline is a great way to transfer skills, as is having your best experts create education sessions; these are low-cost techniques, but highly effective.

Determining our staff training requirements takes place at the time of each individual's career planning meeting each year. We work out what the individual's short- and long-term objectives are, where they want to take their career, and what gaps they have in terms of knowledge, skills, and experience. Then we find a way to achieve the best blend of on-the-job, internal, and external training to meet those goals, and build the training into their career plan. We then review their progress at each periodic review throughout the year.

Firing and Staff Attrition

When you start out in your web design business, you'll probably begin by hiring friends or people you've worked with before. These people are known quantities: you'll have some sense that you can trust them and rely on the quality of their work. But as you begin to expand the business, you will increase your exposure to the broader market for talent—including the great candidates, and the less-than-great. Inevitably, you'll make hiring mistakes. Not every person is right for your organization, and your organization isn't right

for every person. Accepting this fact is the first step in being able to make firing decisions, because there will be times when you need to part ways with an employee.

The best way to avoid firing people is to make good hiring decisions. In job interviews, we always put candidates through a cultural filter first, and if they pass that test, we look at their skills and experience. But if they fail to fit the culture, there's no point in us looking at their capabilities, because we know that they won't work out. Sometimes, you'll be wrong in your assessment of a candidate's ability to fit your culture—that's unavoidable. But if you take this approach, you'll find yourself firing people less frequently.

Setting the Ground Rules

To protect ourselves against the risks associated with hiring staff, we start every new employee on a probationary period of three months. While most businesses do this, we often find that soon after the probationary period ends, an employee comes to the boss and says that the team member isn't working out, and should be let go.

For this reason, particularly in the early stages of your business when you lack experience in hiring people, it's extremely important to monitor the performance of each person you put on during that probationary period. Make sure that they fit in with your culture, in particular. You can teach technical skills, but if they don't fit your company's culture, there's no hope.

I believe it's important to set ground rules within your business—to know what sorts of behavior you won't be happy about, and what behavior constitutes grounds for dismissal.

Then, if you start to see warning signs—the employee won't comply with office policies, is negative with other team members, or fails to grasp the tasks they need to complete—you'll know you need to do act on it. The situation may be salvageable this early on, but you must start asking questions and trying to find solutions as soon as you notice there's a problem.

Example 21.1. Zero Tolerance

We champion equality in our workplace, and we have a zero-tolerance policy around any sort of harassment or discrimination within our organization. Recently, we hired a new person who, within a week, displayed some inappropriate behavior towards some of our team members. We wasted no time in showing this person the door.

There will be some sorts of behavior that you will decide to have zero tolerance for, and it's important that you uphold those values and act consistently—otherwise, you'll endanger your culture, your staff's satisfaction, and your business. Candidates who display behavior that is at odds with your culture, or for which you have zero tolerance, will be unable to comply with the ethos of your organization on a fundamental level. This is something you can't change—you need to accept it, and act on it.

Realizing That There's a Problem

If you've never hired anyone before, it might seem that spotting problems with their performance will be as difficult as finding a needle in a haystack. It's not. With a little experience, you'll be able to spot problems very quickly. And the sooner you can do that, the better.

If we see a new staff member struggling to settle in or gain a grasp on their role, we always try to assess whether there's a gap in their attitude, or in their skills. If I think the person has the right attitude, we may give them more time, but experience has given us the ability to tell fairly quickly if a new team member doesn't have what it takes to succeed in our organization day to day. And you can make hiring mistakes around a candidate's skills just as you can around attitude.

In cases where we've had to let go of a staff member who lacks the skills for the role, generally they've known before we have that there's a problem, and that they're out of their depth. Having the conversation with them often comes as a massive relief. When we ask the employee, "How do you think you're going?", they answer that they feel they're struggling, or that they're unsure they have what it takes. This unlocks the door for an open conversation about the situation, and allows you to table exit options and come to a mutual arrangement for the employee's departure.

Example 21.2. "I want her fired!"

What if a team member makes a mistake? Should you fire them? When one of my better staff members was working on a major client, she wrote an email that included some honest but unflattering comments about the client's process and approach to the project. Unfortunately, she hit "Reply All" when she created the email, so instead of mailing to an internal colleague, it made its way to the client. They called me immediately and demanded that we sack her.

Yes, she'd made a silly mistake, but there was nothing I could say or do that would make her feel any worse about the situation than she did already. Instead, we managed to placate the client by moving my team member off the job onto another project.

Earlier, we talked about setting ground rules around what you feel are—and are not—fireable offenses. In the scenario above, we felt that the offense was not enough of an issue to warrant firing the team member. Her behavior didn't cross a threshold where we felt we should move her on from our business—and there was positively no doubt about it, because we'd set our ground rules for firing staff long before this event. If you neglect to do the same, you may act in a way that you later regret. If a client's threatening to take their business elsewhere, you may well act emotionally, rather than rationally, in the heat of the moment. To avoid making those kind of mistakes, you can see why it's important to have your ground rules clearly defined ahead of time.

In other cases, you'll have new recruits who start okay, but seem to be unable to meet utilization targets and other basic goals. These are clear signs of incompatibility between the employee and your organization. It may be you, it may be them; but the situation isn't going to work out. The sooner you come to that decision, the better it will be for everyone involved.

There are, of course, other factors that can play into your firing decisions—factors that aren't about staff performance. For example, there may be times when you experience a dip in the business cycle, or the economy slows, and you find that you have to lay people off. While it's an infrequent occurrence, as the boss, you'll likely find it the most soul-destroying time in your business. Although the industry is young, we've already seen global industry failures, like the dot-com crash in 2000, and the global financial crisis that began in 2008. It does happen.

If you find yourself in this situation, you may decide to discontinue unsuccessful or unviable parts of your business, or reduce staffing levels to bring them into line with the amount of work you're winning. You'll do nobody any favors by clinging to false hope; this can actually bleed your company of funds, and culminate in the death of your business. It's best to face the realities and make the necessary tough choices in order to keep your business alive.

The Legalities of Firing

Every country has its own employment laws, but as a general rule, if you decide to shut down part of your business, that creates a bona fide redundancy situation: you can legally

lay off the people who worked in it. You must pay their **redundancy entitlements**—items like annual leave they may have owing, and severance pay if that’s applicable.

In general, though again this advice will vary between locations, if you’re looking to terminate a person’s employment for reasons of performance or behavior, normally there’s a process that you must undergo first; this involves warning the individual a number of times, and explaining what the problems are, so that they have the opportunity to amend their actions if they can. If that fails to rectify the situation, we use a process of **counselling out** to handle it: we have a discussion with the staff member to identify with them that the situation is unsatisfactory, and ask them what they want to do. Often, the team member will agree to leave, and in most cases, we’ll suggest that they take a month of paid time to seek a new job elsewhere.

Importantly, if there is a situation that warrants staff warnings with a view to termination, you need to have real data on the problem itself. Perhaps you have base-level performance targets that your employee is failing to meet. Track the targets and the performance levels the individual achieves. Put in writing the remediation measures you agree on, and the results they produce. You must document clearly the problem, the steps you take with the employee to amend it, and the outcomes of those efforts.



Speak to Your Lawyer

If you find yourself in a position like this, it’s a good idea to speak with a lawyer with some experience in employment law, so that you know exactly what your legal responsibilities are; the last situation you want is to end up receiving an unfair dismissal claim from a disgruntled former employee. It’s best to use the same lawyer who drafted or reviewed your employment contracts, so that they have a clear idea of your obligations, and know where you stand from the outset.

Keep in mind that not all performance or behavioral issues will actually be the employee’s fault. A person might be suffering discrimination or some other action within the workplace that’s making them feel uncomfortable, and affecting their performance. This is why it’s so important to keep an open mind when you’re discussing performance issues with team members: the root cause may be in your business, rather than the person themselves.

Another realm of issues that may lead you to fire an employee involves contractual issues—behavior that conflicts with the employment contract they’ve agreed to with you. For example, we once had a staff member who became very close to their client, and started doing work for the client on the side—work that would ordinarily have come to our organization. This was a clear breach of the non-compete clause in the contract of

employment, so we had to take action. A situation in which a staff member denigrates your organization in front of clients, or discusses confidential information with clients or friends, might also justify an official warning for that employee.

In all cases, treat people with dignity, have an honest conversation with them, and be tough but fair. Ideally, you won't reach the point of having to fire a staff member who's finished their probationary period too often. The probationary period is your testing ground for new recruits. Use it wisely and work to sort out any problems then. But if, over time, a team member becomes disinterested in their work or in your organization, and that affects their performance, you will need to deal with it.

Employee Ethics

Your organization will have a list of dos and don'ts—ethical expectations—for all employees. Most of them will be outlined in the employment contract, but the rest will be covered by various policies you have in place. You may have policies around people accessing pornography on company equipment, having multiple jobs, and so on.

Generally, an organization will have these types of policies in some form:

- communication policies
- use of company facilities policies
- policies regarding the use of company intellectual property
- ethical standards, which may cover discrimination, sexual harassment, and so on
- employees working for themselves or others

These days, we're seeing more policies springing up to cover social media. You might want to set expectations or standards around use of social media, speaking on behalf of your company, and so on.

External Projects Policy

One of the unique aspects about this industry is that most of your employees will be approached regularly by friends, family members, and so on to complete small jobs—to build a small website for the local sports club, for example. While some of your policies—as regards inappropriate behavior, for example—will be set in stone, you'll probably need to have some flexibility around these kinds of scenarios.

If one of our team members is asked to build a website for a friend, and it's not the kind of work we'd usually do, that's fine. If an employee is invited to do some lecturing at a local university on the weekend, that's no problem. Sometimes your staff will tell you

about these opportunities, and sometimes they won't, but it's best to remain flexible if you can. If we see an employee competing independently on their own time, in the same space that we operate in, we'll have a discussion with that team member about what it is they really want to do: that is, do they want to work for themselves, or do they want to work in our team? Maintaining an open dialog is the key to ensuring that everyone's on the same page, and your employees know what's okay, and what's not.

Example 21.3. What's the big idea?

One day, I noticed one of my team members working on a business model for a big idea he had. We have a very open approach to matters in our workplace, so I asked him about it. He was plotting out a plan for an online business in a completely new market space. And his plans looked great: I could see they had real potential.

Although this online business didn't compete with our organization, I talked to my employee about my concern that working on the new concept would distract him from his work with us. I encouraged him to go out and embark on his new business idea, telling him that if it failed, he'd always be welcome to come back and work with us. The employee took my advice, and now runs a very successful online business of his own. He remains an advocate for our business, too.

Individual dedication will probably have a large role to play in the way you view employees' external work. We have a designer who undertakes professional photography in his own time. We see these two skills as complementary, but on top of that, I know that we could call on this employee at any time, and he'd come and help out on any project we asked him to. He's an extremely loyal, committed individual who we know to be reliable. We have no concerns about him becoming distracted by his photography in work time.

It's important to maintain a balance in terms of your approach to these external projects. If we learn of a small web project that's unsuited to our business, we might actually refer it to a trusted team member who we know does a little moonlighting on the side. By ensuring that we have clear boundaries about what's okay and what's not, we guarantee that any external projects don't impact on our staff's ability to perform ethically within our organization. Have your policies in place, and know which ones are set in stone, and which ones aren't.

Social Media Policy

We take a fairly flexible, open approach to our social media policy. Some organizations take a really hard-line approach to employees' use of social media, but we encourage staff to use social media—to write blogs, use Twitter and Facebook, and so on.

Of course, we make sure staff know to be smart about the information they publish—particularly if they have clients as contacts on these networks—and to be relevant with what information they communicate. But overall, we encourage them to use their own judgment.

Our social media policy is also affected by some of the standard terms in our employment contract, which cover protecting confidential information, not denigrating clients or colleagues in public, and so on. We're also aware that it's virtually impossible for people to separate their professional selves from their personal selves—that staff will mix personal and work-related messages no matter which social network they use.

But we believe that our team members need to be using these tools, and understanding how the mainstream web user employs them—it's part of our very business. Hence, they'd find it difficult to do their job if we were to implement a restricted-use social media policy.

IP Policy

When it comes to IP policies, I believe there are two aspects to consider. A company has the IP it's developed itself: its tools, processes, and other assets that should stay in-house. But an employee may develop their own IP in their private time. Who does that IP belong to? Some organizations state in their employment contracts that any IP the employee develops at any time while they're working for the company belongs to the company. But I believe in a more flexible approach here, too.

If the team member has developed IP that isn't directly competing with our business, it's usually no problem. If it does compete directly with what we're doing, then we might need to have a discussion about that. At any point where the boundaries between work projects and free-time projects begin to blur, you need to discuss that with the employee in question.

Example 21.4. Watch Out for this Guy

How do we you know if a former employee is using our IP? We hear about it on the client grapevine. Because we have such strong relationships with clients, they'll call us if an ex-staff member approaches them about projects or taking on work that our organization would ordinarily do—a signal that perhaps that individual is using IP they gained from their work with us. This is another great reason to maintain solid, close relationships with your clients.

Many web development companies try to institute anticompetition clauses in employment contracts with key employees, so that when the staff member leaves the company, they don't move to work in a similar capacity within a competing organization. However, the fact is that these kinds of clauses are often unenforceable under employment law, and trying to pursue them can be a costly exercise. Just as you'll likely hire staff members from competitors occasionally, you'll probably lose staff to competitors at some points. As long as they're not running off to apply your IP in their new role, there's probably little you can do about this fact of life in business.

Often, your former employees may become your clients when they move on to another organization; similarly, those who go out to start their own businesses can become fabulous freelance resources for you. Don't burn your bridges: look at these ex-employees as the valuable industry contacts that they are.

Ultimately, you must be able to trust your employees. Support their actions with broad ethical guidelines and policies that can help them make informed decisions about their own behavior.

Marrying Skills and Attitude

How can you support the marriage of good—and developing—skills with the right attitude in every person who works for you?

One technique that we use involves **360-degree reviews**. We'll cover this in more detail in Chapter 22, but for now imagine you have 15 staff: five key people in leadership roles, and ten operational employees. The 360-degree review of an individual takes in the information included in engagement performance reviews, but also lets people from around the business make comments on the individual's performance, behaviour, attitude, and approach. We combine this information into a matrix like the one shown in Figure 21.1.

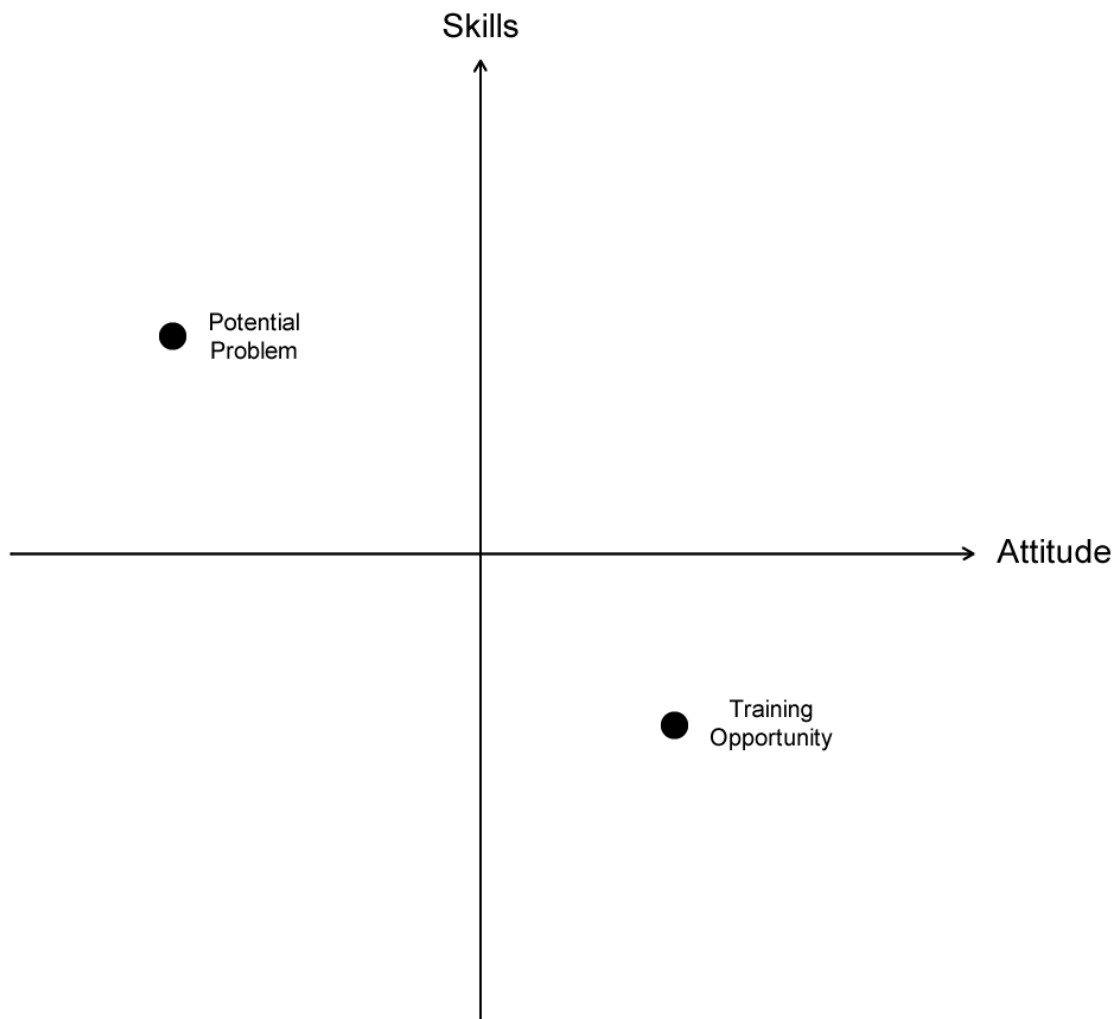


Figure 21.1. Matrix of skills and attitude

If we see that the staff member rates highly on the attitude spectrum, but their skills are less developed than we'd like, we acknowledge this as a training or skill-building opportunity. But if we have a person who's highly skilled, but has a poor attitude, we admit that we have a problem. Attitudes are a lot harder to adjust than skills are to build. Skills can be learned, but attitudes tend to be embedded.

Ultimately, we'd like all our team members to fall into the top, right-hand quadrant of the matrix, but not everyone does. Team members may move around on the matrix over time, too, so it's important to keep an eye on how the picture changes for each employee. If a staff member's skills are improving, but their attitude's heading in the other direction, we'd want to know why that was, and what could be done about it.

As an employer, it's important to remember that people are people—events happen in our broader lives that affect our attitudes across the board, including at work. Family and

relationship problems, illness, stress, and other factors all impact team members' attitudes—it's impossible to separate a person's life from their work. If an employee who traditionally has a good attitude suddenly becomes unhappy, you need to find out why. Perhaps it's as straightforward as a condition we call **battle fatigue**, where the employee has been working hard on a big project for several months, and has lost their energy or passion for the job as a result.

In trying to rectify the issues you might identify on the skills and attitude matrix, you need to understand what's causing the problem. If the problem is a skills issue, it should be fairly straightforward to address, and will likely involve a review of the opportunities you're giving the employee to grow. Perhaps the answer involves assigning them different types of projects, or maybe it lies in additional training. People growth precedes business growth, so if you're growing your employee's ability to produce work, engage with clients, come up with new ideas, and so on, that will drive your ability to identify, take on, and complete more work.

On the other hand, if the problem is one of attitude, you need to understand the root cause of the problem. Is it a personal problem or a workplace issue? What are the origins of the stress or worry itself? Once you have a clear picture of the problem, you can identify what you can do to support that employee in moving to a more positive attitude.

It's impossible to solve all attitude problems—some people will simply be negative and disparaging, and the best solution may be to part ways with them before they seriously impact your business culture. But you may be able to ameliorate some attitude problems by giving the individual new work challenges. We might be able to perceive an opportunity for a staff member to pitch on client work, knowing that the experience will extend them and give them a manageable challenge that will help them grow. Of course, if they win, that'll help fuel their passion even more.

People want the opportunity to grow. To develop your business, you'll need to develop leadership capabilities in others. Give your team members the opportunity to lead, and safe havens where they can learn, fail, and gain support and coaching. Let your team members step up and help drive your business growth.



Reading on Leadership

I recommend trying these books on leadership skills:

- *The Art of Possibility* by Ben Zander²
- *Resonant Leadership: Renewing Yourself and Connecting with Others through Mindfulness, Hope, and Compassion*, by Richard Boyatzis³
- *Execution: The Discipline of Getting Things Done*, by Larry Bossidy and Ram Charan⁴
- *The Saint, the Surfer, and the CEO: A Remarkable Story About Living Your Heart's Desires*, by Robin Sharma⁵

Supporting Staff's Welfare

Awareness of mental health continues to grow, as does the incidence of mental health issues. As an employer, you'll need to be aware of the potential for these issues to affect your employees' well-being and performance.

As you begin to know your employees, you'll gain a feel for when they're in a good frame of mind, and when they're not. If I know a person in our team has mental health issues, we try to provide a safe haven for them. But if any team member seems down or depressed for some reason, we'll talk to them about it.

I might stop by the team member's desk and ask if they want to go out and grab a quick coffee. Once we're on our own, I'll mention that I've noticed that they seem stressed, or anxious, or worried—whatever it may be. And I'll ask if everything's okay. Discretion, dignity, and respect is key.

There's a tendency in many workplaces to leave a person who seems unhappy or upset alone, but that's unsupportive of your team members. As their leader, you need to show that you care, you're there for them, and you support them—again, that's part of providing a safe haven, and developing a close-knit team. You don't have to step on any toes, or pry

² Zander, B, *The Art of Possibility*, Harvard Business Press, Boston, 2000

³ Boyatzis, R, *Resonant Leadership: Renewing Yourself and Connecting with Others through Mindfulness, Hope, and Compassion*, Harvard Business Press, Boston, 2005

⁴ Bossidy, L and Charan, R, *Execution: The Discipline of Getting Things Done*, Crown Business, New York, 2002

⁵ Sharma, R, *The Saint, the Surfer, and the CEO: A Remarkable Story About Living Your Heart's Desires*, Hay House, Carlsbad, California, 2003

into employees' private lives, but you must be prepared to put in for team members who might be struggling. Your staff need to know that you'll be there for them, and that you care.

People are at the core of your business, and the more supportive, honest, loyal, and welcoming your work environment is, the better your business will be.

Summary

Staffing your growing web design business is no simple task. While you may hire friends and ex-colleagues in the early days, that approach won't serve you forever. In this chapter, we've addressed the practical and philosophical considerations of finding and working with good employees.

First, we looked at hiring staff—the process you'll likely go through, and the pitfalls you'll want to avoid. We also saw how staff development goes hand-in-hand with the other hiring considerations you'll face; we then explored some of the mechanisms you can use to ensure that each team member is developed in a way that's mutually appropriate to them and your business.

The daunting topic of firing staff was then addressed. In that section, we saw how important it is to set ground rules for staff behavior and performance, and to use those rules to help you make firing decisions. We also discussed the importance of using the probationary period to its full potential in assessing new staff members, and how respect and dignity is paramount when terminating a person's employment.

This chapter also delved more deeply into employee ethical codes. Here, we saw how developing ethics policies can help to ensure that all your team members know what's expected of them, and can perform in a way that's compatible with your organization's underpinning ethos.

Finally, we talked about the challenges you'll face in integrating employees' skills and attitudes for your business's success. As we saw, leadership is crucial in achieving this goal. Be a good leader, support your team members in their development and their lives, and you'll be well on the way to developing a close-knit team that's loyal to you and your business.

Chapter 22

Adopting a Performance Management Framework

A key process you'll need to put in place as you expand is a strong performance management framework.

As you grow and hire more staff, employees expect to be provided with more than a job—they want a career opportunity. Many young staff members believe that if they've had a job for more than two years, they should enjoy some significant benefits. It's now the norm for people to hop from job to job every few years.

Trying to build a sustainable business in a high-turnover environment is difficult. Even the costs of acquiring new staff can be a significant constraint on your business growth. For this reason, developing a sound performance management framework is vital for retaining staff and growing them as individuals.

This chapter details the performance management framework we use in my organization. It should give you some insights that will assist you in developing your own framework for business growth.

The Components of Performance Management

Setting up a performance management framework isn't as simple as having an annual meeting with each team member and telling them what you think of their work. In fact, that's performance management at its worst.

A good performance management approach is one that's multipronged, addressing your staff's performance from a variety of angles. It should provide growth opportunities for

the individual staff member, giving clear direction about what the person needs to do to advance in your organization. Finally, it should provide a platform for open discussions about individuals' performance and prospects.

The elements of the performance management framework we use in our business include:

- key performance indicators for each role, which are derived from our overall business plan
- individual career plans, which contain chosen career objectives at one year, two years, and five years
- engagement performance reviews
- 360-degree performance surveys
- six-monthly performance reviews
- annual performance and salary review

Let's look at each of these components in detail.

Key Performance Indicators

Key performance indicators, or KPIs, reflect the critical measures that we've determined will reflect good performance for an individual in a particular role in our business. You may have a single metric for any KPI, or you may provide a range or a number of levels reflecting poor, good, great, and outstanding performance.

KPIs are often tied to the organization's reward system: whether a team member attains or exceeds certain KPIs may determine the likelihood that they'll receive a pay rise, bonus, or promotion.

KPIs are derived from the overall business plan and the objectives it sets out, so they help you to align staff performance directly to your business goals. If the business wants to grow its client list in certain sectors, this goal may filter through to individual KPIs in the form of client contact targets, sales targets, or skill requirements for different team members.

Career Plans and Objectives

Your performance management framework should set out a personal **career plan** for every employee. That plan should cover the individual's goals for the next 12 months, as well as the next three to five years. It should also identify what you want the team member to

contribute to the business within those same time frames. Ultimately, this should align each staff member's personal plans with your business strategy and plans.

Have your employee set two or three key **career objectives** in their personal plan. Any more than three, and your staff member will lose focus. Ensure those objectives relate directly to their growth within your workplace, and within the industry—they should be aspirational goals that, with strong focus, will be attainable. Ask the employee to identify the help they'll need from your business to attain their goals.

Finally, the plan should identify the KPIs for the individual's role, which we just discussed. That way, the staff member knows the baseline expectations we have for their work within the organization.

Engagement Performance Reviews

Engagement performance reviews make a valuable contribution to performance management. At the end of each undertaking, staff members fill in a one-page template that asks questions about the project.

The questionnaire identifies how the project has contributed to their overall objectives, what they believe they did well on the project, and what they believe they could have done better. The completed template is signed off by their manager, and flows all the way up to the business owner.

At a business level, this information provides valuable feedback about staff development and gives the owner ongoing updates about how attainable the business goals are.

360-degree Surveys

We undertake 360-degree surveys for people in management positions in my business. Through this process, the individual is reviewed on key areas of their performance by representatives from all the areas of the business with which they interact: their managers, peers, and people in the teams they manage.

These surveys provide insight into the way people at management level are perceived, and performing, among the different facets of the business, and makes an important contribution to the performance reviews we undertake.

Six-monthly Performance Reviews

We hold a **six-monthly performance review** meeting with each staff member. This meeting acts a bit like a progress report: we consider the reviews each team member has completed

on the projects they've done, and discuss with each person what they're doing well, and where they can improve.

These reviews provide a formalized forum in which staff can raise any issues or concerns they may be having around their goals or the projects they're working on. It also gives us the opportunity to clearly outline what their prospects are for promotion, pay rises, and taking control of new initiatives within the business.

Annual Performance and Salary Reviews

Each year, we undertake **annual reviews** on the basis of the various reviews and goal-setting processes we've conducted throughout the year. This is a chance to pull together all the review information we have about each staff member, and address it with them. We use this opportunity to reward employees with bonuses, give pay rises, and announce promotions.

We also use annual reviews as a time to **re-recruit** our staff. One of the reasons you'll lose employees is that other employers in a job interview will map out the individual's prospects within that organization. Too often, this process is forgotten within a company; this is what I mean by re-recruitment. At every performance review, we think about what we'd say about each team member's opportunities in the business as if we were recruiting them for the first time. We really shape those opportunities to the person in question—given that they're a valued team member whose interests, goals, and desires we know well.

In all your performance review meetings, there should never be any surprises. There's nothing more demoralizing than for a staff member to think they're doing a great job, turn up to a performance review, and find out there's a whole lot of festering issues that have never been raised with them.

Your culture should allow for the ad hoc discussion of performance, encouragement, and positive support, and the open discussion of issues. Staff development is a continuous process; formal reviews help pull that together and allow for the setting of directions and goals for the next 12 months.

Summary

Think of your performance management framework as the glue between your business plan and your staff's day-to-day work, and you'll realize that strong performance management is essential to business growth.

A good performance management framework considers individuals' work and attitude from a range of perspectives, and actively seeks to inspire and reward good performance. If it's well-designed, it should actually encourage your valuable team members to re-engage with your organization periodically. As we discussed, re-recruitment can help to reduce staff turnover that, if it's not controlled, can seriously hinder your business growth.

Whether you apply this performance management framework in your business, or devise a unique process of your own, you must have a framework in place. Without one, your business will never be able to attain its full potential.

Chapter 23

Succession Planning

The previous few chapters explored the basics of staff training and development, and of leadership. In this chapter, we'll build on those basics with an understanding of succession.

Succession planning, the process of preparing staff to move up into leadership roles in your organization when the incumbents move on, is both a risk mitigation strategy and a technique for developing, motivating, and inspiring staff with leadership qualities. Succession planning will help your business avoid stalling or backtracking if life takes a key individual from your business unexpectedly. It will also help you retain good staff to develop with your business.

In this chapter, we'll start with a basic understanding of what succession is and why it matters. Then we'll see how succession planning and preparation works in my business.

Finally, we'll tackle an issue that plagues many small web businesses: how to keep great staff engaged if the succession opportunities you've been preparing them for fail to materialize. As we'll see, your growing web business is likely to provide plenty of opportunities that, if properly managed, will keep aspiring leaders learning and growing.

Understanding Succession

If you have a small web design business, succession will be a non-issue. But as you grow and bring on more staff, you might find that you have people in a number of leadership roles with deeper specializations. Perhaps you have a creative director, a chief technology

officer, or an office manager. And at this point, you'll want to start thinking about succession.

In my business, we make it a normal part of our operations to identify who our successors are, and we do that every year.

You should do this too. Ask yourself who'd be able to move into your role if you were hit by a bus tomorrow. What if you were to move onto bigger and better things in a year's time—say, another startup? Who'd be able to step up and do your job then? And what about a three-year time frame? As soon as your business's staff expands beyond yourself, you need to start looking around and working out who your potential successors will be.

Why Succession Matters

Choosing successors is important for a number of reasons. First, this approach provides you with the flexibility to leave the business eventually, if you want to. Perhaps you know that you like working in smaller businesses, and you expect that once your business grows beyond a certain size, you'll want to sell it, or leave it in a colleague's capable hands, and go off to start another one. If you've been careful with your succession plans, those dreams are achievable.

The same applies to your staff. They're likely to want to move on from their jobs at some stage—whether it's elsewhere within your organization, or to another company entirely. And life does get in the way sometimes: people get sick, family matters require them to relocate—there are many reasons why a team member might suddenly need to leave your business. Whether or not your business collapses at that point will depend on your preparedness for such eventualities. Planning succession is the best way to reduce the risks associated with staffing a business for long-term growth.

There's one other benefit of succession planning: it allows you, the small business owner, to take a holiday once in a while! It can be difficult for business owners to leave their businesses, even for a short break. But if you choose and prepare a successor, you'll be able to take that well-deserved holiday and give that individual valuable experience in your position while you're away.

Succession as a Path of Action

When an individual leaves your business, in most cases, you'll need to fill the gap they've left. Will you hire a new person for the role, or will you promote a team member working in another role in your business?

I strongly believe in investing in the growth of our people, and continuing to provide them with leadership opportunities. Those opportunities may start off small, but over time, they give employees the opportunity to gain momentum and really develop themselves into good leaders. As a result, we prefer to promote people internally to fill leadership opportunities within the business whenever we can. So with each leadership role, we regularly consider who'd be likely to fill that position if it became vacant, and what we're doing to develop that person's skills to meet that challenge.

This effort is focused at the management level: we identify the linchpins of the business, people who have key leadership positions that are crucial to the actual functioning of the business. Then, in the career planning process, we ask them who they see within the business as a potential successor; we then work to prepare that person for the day when the incumbent moves on.

Example 23.1. Wanted: Creative Director

Recently, our creative director decided he wanted to work part-time for us. He was a key leader of our business, so we needed another person to take on the role. Fortunately, we'd already planned the succession pathway for this position, and had a skilled individual in mind to take on the job. That person has now stepped up, and is performing well as the new CD.

Once you and your business leaders have identified the successor for a role, you need to discuss the idea with the candidate themselves—again, we usually do this in the career planning session we hold annually with our staff members. If they're up for the challenge, we begin to prepare that candidate for succession. Whether it takes place tomorrow, next year, or in five years' time, we need the successor to be up to speed, and ready to take over.

It's important to ensure you're giving the successor exposure to all the elements of the role, so that they understand how it works, and what's involved. You need to empower the person to do the job itself. Are you taking them to key meetings for the role? Do they have access to the files and data that the incumbent uses? Do they understand the components of the job, and the most important elements it contributes to the business?

You need to start involving successors in their roles as soon as you've identified them—after all, the goal here is to reduce risk, and that risk could be realized immediately.

So it's very important that you involve the successor in the day-to-day running of the job as soon as you can, and as an ongoing matter.

Providing Succession Opportunities

It's all very well to groom an ambitious young designer for eventual succession to a creative director role; but what if, five years down the track, your loyal, dedicated CD has yet to move on—and shows no signs of doing so? They may be happy, and you may be, too. But what about the successor? This individual knows they're capable, and has the skills to do the job. Yet if they see no opportunity for advancement in at least the medium term, they may start to look at opportunities beyond your business. If you're not careful, you may lose these valuable resources.

The solution to this potential problem is to be flexible. Developing an employee to succeed a person in a managerial role need not be a one-outcome possibility. In the meantime, you'll be working hard to grow your business, and there'll undoubtedly be opportunities for good staff to move around; they'll be able to take on new challenges, learn new skills, and extend their capabilities in ways that may well support their succession aspirations, as well as their broader professional development objectives.

Remember the three-horizon model we discussed in Chapter 18? In it, we grouped business opportunities into these horizons:

- Horizon 1—the business of today (mainstream work)
- Horizon 2—the growth business (work in areas that are leading the industry forward)
- Horizon 3—embryonic experiments (projects at the bleeding edge of the industry)

As a business owner, I use a complementary model to identify succession opportunities for our team members.

This framework indicates the broad activities we need to undertake to develop each aspect of our business, and helps us identify the staff members who we give the responsibilities of achieving those activities to.

In short, the three-horizon model allows me as a business owner to identify growth areas that need extra input, and offer them to would-be leaders to own. It also gives those aspiring leaders the chance to cultivate leadership skills, gain on-the-job training, and add to their experience in managing businesses and people. This approach ensures that the new areas we're developing are owned, and ensures that our team members have continual opportunities for development and growth.

Summary

This short chapter explained what succession planning is, why it's important, and what benefits it provides to burgeoning web businesses.

We explored the process by which you can identify and plan successors for key roles in your organization. We also discussed the practicalities of preparing successors for the day when they need to fulfill the role for which they've been developed, as a manager or leader in your business.

Finally, we saw how you can perceive other opportunities for advancing team members who you've groomed for succession when the roles fail to materialize. Rather than letting these would-be leaders languish and leave, I described a technique that will allow you to give them other opportunities to lead and own other initiatives within your growing business. This approach will help them cultivate their skills further, gain valuable experience, and help your business to flourish.

Chapter 24

Outsourcing and Offshoring

A challenge that many businesses face as they grow is ensuring that they have the capacity to meet demand. If you've considered outsourcing client work to an offshore provider as your company grew, you wouldn't be the first. Plenty of web businesses have sent work to providers in other countries ... and suffered the ravages of poor planning, language barriers, cultural differences, time zone variations, and unexpected project pitfalls on their projects.

As we'll see in this chapter, outsourcing and offshoring client work should only be done on a strategic basis. The pitfalls we'll discuss will show you why.

I'll then relate some of my own experiences with offshoring, stepping you through the process my business used to successfully outsource a major web project to an Indian company. I'll give you my learnings from this experience, and make recommendations that will help you embark upon outsourcing safely—if indeed you decide that outsourcing is necessary for your business's long-term success.

Finally, we'll address the client considerations associated with offshoring to help you avoid having a potentially disgruntled client—and a lot of explaining to do.

Outsourcing Basics

As your business grows, you'll likely begin to think more strategically about outsourcing. While your business is small, you might hire a freelancer or contractor to fill a gap on a project, but as your business expands, these decisions will take on a more strategic nature.

In taking this strategic approach, ask yourself which tasks you want to handle internally, and which ones you want to outsource to external suppliers. There are many services that, while they're essential to your business, will be more effectively provided by people outside your organization than in it.

At a very basic level, you may wish to avoid being a property owner, so you'll outsource that responsibility by renting premises. You may decide that a full-time accountant is unnecessary. Instead, you might outsource that task to a locally based accountancy firm, and make use of a software-as-a-service accounting tool. In the past, many web companies ran their own data centers, but now, more of them are migrating their data to the cloud; this way, there's no requirement to manage the cost and work overhead of managing a physical data center.

The advantages of outsourcing are many. When you're just starting up, this can be an effective way to manage costs: you'll be able to leverage dedicated, specialist skills rather than have to try to support these functions internally. Accordingly, outsourcing also keeps the management overhead for the services to a minimum. Outsourcing is also easily scalable, and gives you a lot of flexibility.

The other aspect of outsourcing that you're likely to consider is outsourcing work in client projects. One of the phenomena that we see in web companies now is that we receive almost daily calls from **offshore outsourcing** companies in China, India, Argentina, Russia, the Philippines, and elsewhere touting their development capabilities. If you considered this as a purely financial equation, you'd likely jump at the chance. You might be able to buy offshore development skills at \$10 per hour, and charge that time out at \$100 per hour. You'd make a much bigger margin this way than if you paid a local developer \$50 for the same work.

On paper, this option looks great. But in practice, outsourcing work to offshore companies takes a lot of time and effort, and is not an arrangement that should be entered into lightly. As we'll see, offshoring should only be considered as part of a long-term business strategy.



Do Not Break Glass in an Emergency

Offshoring shouldn't be viewed as an emergency measure to use when the going gets tough. If you have a sudden influx of work that you lack the capacity for, look around for competitor or peer businesses with which you can partner for work instead. This way, you'll be able to increase your capacity, and build your local network, without having to also manage the language, time zone, cultural, and technical challenges that offshoring entails.

Offshoring Pitfalls

In our experience, for every *foot* of distance between the business analyst on a project, and the designer and developer for the job, the greater the number and degree of problems that will occur. When you're putting thousands of *miles* between these resources, the problems that can arise are considerable: language, culture, time zones, and methodologies can all become issues, and combine to form a recipe for disaster.

While I've seen offshoring work well, we approach it with great caution. We've found that design and creative capabilities fail to outsource very well. It's very difficult to outsource creativity, partly because of the amount of collaboration that's usually required with the client in person. Outsourcing is also a problem for development projects where you're using agile methodologies, which we discussed back in Chapter 13. The success of the agile approach relies heavily on proximity—scrum meetings, on-the-spot output, and a constant flow of communication—and all of this is extremely difficult to negotiate across large physical distances.

The projects that are best suited to outsourcing are those that have a very clearly defined specification that's unlikely to change, and use the waterfall project methodology.

Making It Work

Many businesses imagine offshore outsourcing to be a quick fix in an emergency. It's not. If you're going to go down this path, offshore outsourcing needs to be a part of your long-term business strategy. That's the only approach that will give you the motivation and commitment to do all the work that's necessary to have an offshoring arrangement up and running smoothly.

A long-term philosophy may also be the only way you can justify offshoring, given that sending work to another company's development team brings little advantage to your own staff members.

Throughout this kit, we've discussed the importance of team collaboration, opportunities for learning and leading, innovating in formal and informal settings, and the value that all these factors will bring to your business. Offshoring reduces—and can actually eradicate—those opportunities from arising within your own business. If you outsource all your development, you give away the opportunity to build up your skills and capabilities. Not only are you giving away control, you're also relying on that third party to drive innovation and help future-proof your own business—not a proposition that many business owners would relish.

It's true that an offshoring partner may have compatible capabilities with your business, and you could work well together. However, you can see that outsourcing client work may effectively be outsourcing your core business, and your key capabilities. Over the long term, that could cause problems for your business. This is why offshore outsourcing should be undertaken only as a long-term strategy.

The Practicalities

Offshore outsourcing usually sounds better than it turns out to be. Making these arrangements work can be extremely time-consuming and challenging.

First, you need to look at the methodologies and tools that the outsource partner uses, and try to ascertain how compatible their approach is with your own. Do you and the outsourced team speak the same language, or is it possible that the nuances of language skills might trip you up and lead the project into disaster?

Next, while you may cut costs on the development work, be prepared to add 40-50% to your business analyst budget, and 50-100% to your project management budget, since these arrangements necessitate a lot more liaison, and more intensive management. Project testing time will likely increase by about 50%, too.

The best way to approach offshore outsourcing arrangements is usually to dip your toe in the water first. That means planning ahead, so that you're not scrambling to find an offshore provider when you find yourself overwhelmed with work.

Use your networks to find out if there are any businesses like yours that are successfully using offshore providers. Identify a small, internal project that you could use as a trial with an offshore provider. If the trial goes well, it's a great idea to take a trip to visit the offshore provider in their home location, if you can manage it. Visit their operation, see how they work, and bring some of their key developers back to work in your own team for a while.

Example 24.1. What makes for successful offshoring?

We had a very large project with a well-scoped and clear development process and targets. We visited the offshore team in their offices and were satisfied that they operated using similar methodologies and approaches to ours. The key account partners (including operational team members, such as developers) had worked on projects in the USA and New Zealand, so they had substantial knowledge of the colloquial English in western countries.

We brought these key team members back to our offices so that they could understand how we operated, and we could work with them to devise plans for the smoothest possible running of our project.



Cultural Matters Matter

Cultural differences can have a significant impact on your offshoring success. When we brought our offshore partners back to work in our business, we gave them a cultural welcome pack, and asked them to prepare a talk to educate our team about their culture. In the next staff meeting, they gave us a cultural presentation that assisted our team to engage with and understand one another, and helped smooth the getting-to-know-you process, as well as the project itself.

This approach worked well, but we took the whole arrangement very slowly, one step at a time. We also made sure that our project management process involved a lot more formal and informal communication than it would normally, simply to overcome the tyranny of distance and the increased likelihood of miscommunication. We didn't rush into the arrangement; nor did we take the sort of hands-off approach that people often expect when they consider offshore outsourcing.

Whenever you're considering this type of arrangement, ask yourself why you're doing it. If you're doing it to cut costs on a project, rather than as part of an overall business strategy, you'll probably find yourself in trouble fairly quickly. I repeat, *only* use this approach as part of a long-term strategy. Look to develop a solid relationship with your supplier, and don't expect to flip a switch and have it working perfectly.

Test small projects, review their success, look at what's not working, and engage with the outsourcing supplier to find solutions that really do work. Focus on honing your collaboration model, and use whatever tools you need to ensure that the collaboration works. Finally, don't embark on offshoring when you're under pressure. Plan ahead so that when the time comes, and you need to outsource work, you have the relationships, tools, methodologies, and processes in place and ready to roll.

Client Considerations

Are you going to tell the client that you're outsourcing their important web development work to a company in Chile?

We would only outsource work in a situation where we'd discussed the option with the client, they could see the benefits they'd gain from the process, and everyone was happy

to go ahead. Otherwise, you'll be heading for trouble. Few clients will be happy to learn that you've been charging them full rates for the work they've given you, when you had the development done for a third of the cost.

Your clients need to know up front if you're considering outsourcing their work to an offshore company. They'll want to know that the quality of the project will be impeccable, and be assured that you'll deliver it on time and on budget. They may also ask for a cost rationale, so be prepared to justify the increased project management costs that outsourcing inevitably entails, and to make clear any savings they'll gain from outsourcing development to a more cost-effective location.

Summary

There should be no doubt left in your mind that offshoring client work to overseas companies is an enormous undertaking. It shouldn't be done while you're under pressure, in a hurry, or as an emergency measure.

This chapter explored the nature of offshoring, and the risks it entails. We talked about the circumstances under which you should consider using an offshore supplier, and the key aspects of the process you'll go through if you want your offshoring efforts to be a long-term success. Finally, we looked at the client considerations you'll need to address if you embark on offshoring as a part of your business strategy.

Offshoring isn't for the faint-hearted, and it's not a stop-gap measure for a busy business. However, with the advice in this chapter, you should be in a better position to make offshoring work if you decide it's a path that you want your business to take.

Chapter 25

Case Studies

Seven Keys to Success: Adwire

Adwire was officially founded in June of 1996, as a partnership consisting of father and daughter, Kent and Wendy Nield.¹ Adwire started quite humbly and was completely self-funded, with both partners working to bring in new business and establish contacts, while completing Adwire's projects and keeping other jobs. "In December of 1997, I left my other web design work behind and focused completely on Adwire," says Wendy Nield. "We moved into our new offices in Century City, and began to bring in bigger contracts with companies like the United States Postal Service and Paramount Pictures. In the spring of 1998, Adwire took on two additional people."

Key #1: Let the Workload Justify Your Company Size

Throughout the company's history, Adwire has relied solely on incoming work to fund the business. It's never gone to outside investors.

"We have expanded and contracted to fit the needs of our business. At our smallest, we were two; at our largest, 12," says Wendy.

Key #2: Don't Focus on "Cheap" Sectors with Slim Margins

Wendy comments, "Remarkably, some of our smallest projects have been from our biggest accounts—like Warner Brothers and New Line Cinema. Entertainment companies are

¹ <http://www.adwire.com/>

notorious for trying to get a lot for very little. This is one of the reasons why we decided early on not to focus just on the entertainment industry, and began to diversify and expand into other markets.”

Key #3: Use Existing or Past Contacts

When the company was in its embryonic stages, and both Kent and Wendy held other jobs, Adwire used its existing contacts to build a client base. “What worked well for us was that Kent was working as a financial executive, and had relationships with a variety of suppliers,” says Wendy.

“We went to the people we already knew, and simply let them know that we had officially started a web design firm. From that point, we were able to get some referrals, and started building a portfolio and client list.

“We expanded on that by gaining new referrals from clients as a result of the good work and customer service we gave. In some cases, we asked for referrals, but most of the time our clients offered them up without us even asking, which worked out nicely. And it still pretty much works the same way today.

“You have to be good at what you do, but if you don’t know people who can give you work, or put you in touch with people who need the services you’re offering, you’re not going to get much business. So it’s important first to look at who you know before you go out and spend all this money, time, and effort trying to get business from people you don’t know, and who don’t know you.”

Key #4: Do What You Say You Will

One of the company’s keys to success—including happy clients and plenty of referrals—has been the relationships they’ve established with everyone they’ve worked with.

“We’re small,” Wendy explains. “That eliminates layers of bureaucracy. However, our process has been finely tuned to make sure that the clients are involved with every step of the project—they never feel shut out of the process.

“We create a trusting relationship by following through on what we say we can do. The key here is that we never, at any time, overpromise on what we can deliver, which is where a lot of design firms get into trouble. We also empathize with, and listen to, what the client is looking for and going through.”

Key #5: Be Patient, Don't Burn Bridges, and Keep in Touch

“It’s really hard to get into big companies when there’s no personal relationship to tap into—it’s even difficult to get into big companies when you *do* have a personal relationship to tap into! I know a number of people personally at Disney, but we’re still unable to get our foot in that door.

“The key is to be patient, and continue to build and solidify the relationships you have. If you do this genuinely and diligently, you’ll be in the right place at the right time to gain new business. In other words, avoid being in a hurry, because good relationships take time.”

Key #6: Spend Time on the Proposal

“We work really hard on our proposals. We make sure that they relate specifically to the project we’re bidding on, and that they explain in as much detail as possible exactly what we’ll be doing for the money we’re charging,” notes Wendy.

“We include a description of the company, and explain why our experience and skills are relevant to this particular project. We describe how we see the project, and offer our ideas about the best solutions for the project.

“We also include a detailed description of our project management process as it relates to the work, and detail exactly what we’ll deliver at each stage of the project. Finally, we come up with some really great ideas that are not included in the request for proposal; these ideas are distinctively Adwire, solving problems the prospect hasn’t necessarily identified, which we sell as optional add-ons.

“We always attach a detailed project schedule (which is how we estimate the project), and a series of case studies that are relevant to the job we’re bidding on. The proposals are usually between 10 and 20 pages long.”

Adwire’s record time in acquiring a client was three days, but that’s far from the norm. Wendy says that it usually takes several months and multiple meetings before an agreement is signed.

Key #7: Go Back to Clients and Ask for More Business

“We stay in constant contact with our clients, and make suggestions for new projects whenever we can,” says Wendy. “Recently, we’ve implemented regular brainstorming sessions internally to come up with new ideas to pitch to existing clients. This will allow us to become even more proactive in exploring ways to enhance our relationships with

clients. It's very easy to be inundated with project after project, and forget how you can go back to a previous or existing client, and create even more value for them.”

The Results Speak for Themselves

Adwire's client list includes Universal, Paramount, US Postal Service, New Line Cinema, PBS, Warner Brothers, Vanguard, and Union Bank.

The company completes anywhere from 10 to 20 projects in a quarter. “We're usually working on between 4 and 10 projects at any given time, depending on the size of the projects.”

Specializing for Success: Symplicit

When Jodie and Stephen Moule started their user experience (UX) consultancy Symplicit on March 3, 2003, they had a strong vision for their niche.

“From the start, we talked about our offering in broader terms, and about being user-focused design rather than just usability,” says Jodie. While market awareness of usability had grown, and clients had some idea of the benefits it could deliver, UX design was yet to really be a concept back then—it was more about user-centered design, but even that was a relatively new approach. The pair had spent the previous five years working in a leading usability consultancy in Sydney, Australia, which had given them considerable experience as usability practitioners.

“But there was some turbulence in the company around the time we left,” explains Jodie, “and we really wanted to go out on our own, and do it the way we felt it should be done.” Jodie was a qualified psychologist, and Stephen had a background in industrial design—skills which, coupled with their understanding of usability practice, gave them a professional edge. But what about running a business, pitching for work, and managing clients?

“Having both worked in a consultancy where there was no separate sales or account management arm—where we had to do everything: write the proposal, quote the job, do the work, manage the clients—we had a good grounding in sales and client management,” Jodie says. “That was probably a really big advantage for us when we went out on our own.”

A Big Risk

Coming off the back of the dot-com bubble in 2001, Jodie and Stephen could see opportunities for UX design within the market. Given the lack of market understanding of their

specialization, and the industry's recent history, the duo could have erred on the side of caution and provided the standard range of web design and development capabilities. But they didn't.

“We both have a real passion for user-focused design and the user experience,” Jodie enthuses. “We wanted to—and still want to—provide the best possible user and customer experience design in the industry.”

“And,” adds Stephen, “through our consultant background, we could see a growing need for UX within the industry.”

At the time, many organizations that had invested heavily in their online presences were realizing that they were receiving a poor return on their investment—and they wanted to know why. “Many knew that the problems stemmed from the poor experience and usability of their sites,” says Jodie. “So there was already a growing awareness.”

But Stephen explains that the pair had to expand clients' understanding of usability beyond just the testing and assessment side of things gradually, so that they were more willing to consider all elements of a full user experience—a field in which the just-launched Symplicit was at the cutting edge.

Building a Client Base

The company's first project was a contract with the state government to redevelop the State Library of Victoria's online presence, a job that was won through a tender process. “That was a great opportunity for us,” says Jodie. “It exposed us to a lot of potential clients, and gave us a high-profile example of the sorts of things we could help clients achieve online.”

“In those days,” says Stephen, “we did a lot of what you'd call business development—some knocking on doors, and mainly just meeting and talking to people; talking about what we were doing, and looking for opportunities.” He says the pair did have to educate clients about user experience design, but, “it was really just a matter of explaining what we did,” and then demonstrating the benefits such an approach would afford.

“We did a lot of workshops with clients—work they didn't pay for—to help them understand the concepts behind UX and usability,” says Jodie. “And we also attended conferences, and were asked by organizers to help put together workshops on UX. So that gave us extra exposure, too.” Once they had a chance to pitch for work, the team took what was, at the time, a fairly unusual approach.

“In the early days, often our sales process involved taking the client requirements and responding to them with a working prototype, so that they could see how the user experience might be developed,” Jodie explains. “That’s always been a valuable part of our method and approach—it really brings to life the recommendations we’re making, and helps clients understand what we can bring to the table.” So successful was this approach that Symplicit still uses it today to sell an expanded service offering.

Seven Years in the Making

By 2010, the business had expanded to a staff of 15, causing Jodie and Stephen to take a step back and work on their operation, rather than in it. “That’s been challenging,” Jodie acknowledges, “but our passion for what we do helps. So does having a team of really good people that we trust to do the work as we’d do it—or better. We’ve grown in a really considered manner, and I think that’s been valuable in terms of finding good people, and being able to think really carefully about the work we wanted to do, and the kinds of skill sets we wanted to add to the team.”

Stephen adds that, “it’s also helped us avoid sailing too close to the wind financially, and has allowed us to focus on developing the business, and growing our offering.”

So just how does a business that’s leading its field develop new offerings? “We develop our offering by going to conferences here and overseas, by doing client work, and also by consuming different media,” says Stephen. “By playing with those kinds of tools in the office, we’re motivated to go out and source jobs that let us work with those tools—and develop for them.”

“Know Your Speciality Inside Out”

To those thinking of starting their own business in a specialized area of web design, Jodie and Stephen have one key piece of advice.

“Know your speciality inside out,” says Jodie. “We were practitioners, so we had experience in the field, and that’s been essential to the way our business has developed.” It also allowed the pair to perceive a market opportunity for UX services before others had, and their passion gives them the energy and motivation to research, read, and stay at the forefront of their industry years down the track.

Clearly, if you’re going to succeed by specializing in a given area of the industry, you’ll need to have the depth of skills, knowledge, and hands-on experience to lead the niche. That sort of experience and passion comes across loud and clear when Jodie talks about what’s in store for the future of Symplicit.

“We’re looking to gain more work in the Asia-Pacific region; to build on the work we’ve already done, but just to keep developing our offering and being at the forefront of UX in Australia.”

Mixing Client Work with Product Development: Inlight Media

Patrick Carne started web development and digital product firm Inlight Media² in mid-2008 with partners Tony Milne, who he was working with at Deloitte, and Simon Brown. While the three had a strong client focus, the drive to launch their own business arose from some product development work they’d done together.

“We started building our own product while we were working [at Deloitte], and eventually that product fizzled out,” Patrick explains. “But we enjoyed working together and decided that it might be something that we could take further. Over the course of six months, we worked on our idea to set up a business together and go out on our own.”

While Patrick and Tony, who had development backgrounds, and Simon, who was a designer, all wanted to build products, they wanted to take a low-risk approach to their business. “We knew we didn’t want to accumulate any debt or seek any loans,” says Patrick, “so although we wanted to build our own products, we needed the client work to fund it initially. In hindsight, that wasn’t the best way to start.” Patrick feels the three probably should have focused specifically on client work and building their web portfolio. Instead, they tried to tackle both that and product development at the same time.

Wanted: Product for Development

“We started out wanting to run our own business,” says Patrick. “We knew we wanted to run our own products, but we knew that wasn’t going to happen straight away.” So on launch in 2008, the team started out doing client work, and experienced all the usual teething problems. “Being a startup, the team overcommitted their time and were working 15-hour days—the guys were actually working out of my garage,” Patrick laughs. “It was a very clichéd start for a startup.” The team continued like this while they were “waiting for the right idea to come along.”

After six months, the business was approached by an independent party with a product idea, and the team worked with them for a couple of months to develop it further. Unfortunately, the product failed to take off.

² <http://inlight.com.au/>

“Over the course of two and half years, there have been four ideas we’ve worked on,” Patrick explains. “Two have gone all the way through to production. The others were dropped at some point during design and development.” There have been a couple of times—including the first product that Patrick and Tony worked on together before the business was properly formed—where the team were just about to launch the product, but were beaten to market by a US-based firm that had invested a lot more money into developing the same idea. Unable to compete, the group had to abandon their product on the spot.

Says Patrick, “We find that there’s some sort of shift in the market that sparks certain ideas. If you have an idea, a lot of other people will have that idea at the same time. I don’t know why, but over the years it’s happened several times.” Because the team has been unable to invest as much time or money in the idea, it’s usually less established than the competitor’s offering.

Juggling Client Work and Product Development

Managing the product development process alongside a fledgling web development business has been a challenge for the team. While initially the team sought web design and development work to fund their operation, they were also actively putting feelers out into the market for viable product ideas. “When that first idea came along,” says Patrick, “we tried to focus a certain percentage of work hours on client work, and a certain percentage on our own project.

“That’s difficult because you tend to have a bit more excitement about your own projects than client work. But multiple client projects tend to interrupt each other, and you have to make sure that your clients receive a good allocation of hours of you working on a specific task. Otherwise, you’re chasing your tail and working on multiple items. All those distractions can make it difficult to actually get anything done.”

The other challenge they faced was that their bread-and-butter client work actually made effective product development more difficult. In explaining his team’s abandonment of developed products immediately before launch, Patrick says, “This is one of the problems with trying to run a web business and a product business at the same time: you lack the focus that you need to compete against another company that’s allocated all its resources to that one product or idea.”

Despite the challenges, Inlight Media have remained open about their product development work with clients. “We don’t actually tell people this up front in a meeting,” Patrick reveals,

“but we do try to stay current in our business, and really specialize in being at the forefront of new technology. Part of that is working on products.”

While the products themselves may not come to fruition, it’s the act of spending time each week working with new technologies that matters. “It’s important,” he says, “to ensure the team is always working on something we’re interested in. If there’s a new technology that’s come out, it’s important just having time to play around with that technology.” This keeps the team motivated and enjoying their work, and Patrick believes clients appreciate that.

“There are a lot of areas, like iPhone and iPad development, that we wouldn’t be working in if we hadn’t developed our own products in that area, or played around with it,” Patrick adds. So regardless of whether the products prove saleable, it seems there’s much to be gained from the team’s focus on experimenting with them in the first place.

Needing to Refocus

When the business began in 2008, the team comprised three people: Patrick in account service and development, Tony as a developer, and Simon Brown as a part-time designer. For the first year and a half, most of the team’s clients came to the business through word of mouth, and there was enough work to sustain the three. Yet Patrick notes that the word-of-mouth referrals were both a blessing and a curse, because the team came to rely on them.

“Coming from business development and technical developer backgrounds, we lacked the sales skill set that we needed. Neither of us particularly wanted to work in sales, but we quickly realized that it’s part of the business. Any business is a sales business—you have to be focusing some attention to that.” And his team wasn’t. “A few times, when the work just suddenly dried up, we found ourselves in a difficult position where we hadn’t prepared for the next few months,” Patrick explains. “We’d focused all our attention on developing the projects that we’d won, and not enough time into finding the next projects.

“The projects we won for the first year and a half mostly came to us, and as a small business, you kind of take what you can get. That’s not necessarily the best thing sometimes. You know, it’s good to say no.” Back then, the bulk of the team’s client work involved building and deploying projects. “Obviously, we provided support and maintenance,” says Patrick, “but that doesn’t account for a large percentage of our business.”

By 2009, Simon had left the business, and Patrick and Tony had hired another full-time developer, Ben Pierson. They’d also moved the business from the garage where they’d

spent their first six months, to slick offices in the heart of Melbourne CBD. As a consequence, the lack of longevity in their client accounts started to become a major problem. “We had quite a big problem with cash flow and workflow,” says Patrick, “because we’d let ourselves rely on people coming to us through word of mouth. We also spent a number of hours working on projects of our own that didn’t necessarily come to anything.”

The team wound up relocating to offices closer to home—although they all lived within five minutes of each other in the one suburb, they were spending two hours a day in travel alone. “That’s a day a week that we could have been working and focusing on our own work,” he explains.

These days, Inlight concentrates on finding clients that will help sustain the business. “One thing that we’ve been focusing on in the last year is that the clients we approach have some kind of longevity in them.” Primarily, the team is focusing on building relationships with advertising agencies “that traditionally don’t have much of a digital focus but are getting pushed in that direction. We provide a development arm for those companies—anything from advice and consultancy services, right through to developing complete products. That way, there’s an ongoing relationship that we can work on.”

As well as focusing on building their core business, the team is keen to establish themselves as a strong, efficient development house. Already, their performance and profitability have increased. Does this mean no more product work? No way! “Along the line,” says Patrick, “we’ll be working on other products, but we’re taking those on a split agreement at the moment.”

People regularly approach Inlight Media with product ideas, and if they’re ideas that the team likes and can see a future in, they may take on a small stake in them. “But, we’re developing that idea for that person,” Patrick points out. “We’re looking for products that we believe in, but we’re not putting our whole business on the line.” As such, the people who approach the team with business ideas act as both partners and clients, since they’re funding the development.

“We typically have some kind of agreement where we invest our time, and they invest some capital, to help fund the development. We’re also trying to just work on one of those at a time, so that we can really focus on one project, and run the main business as well.”

“Know What You’re Getting Into”

To those designers and developers who are thinking of mixing client and product work, Patrick’s biggest tip is: understand what you’re getting yourself into, and launch your

business in an area that you're really passionate about. Starting your own business just to be your own boss is not a good enough reason to start a business. "You'll lose motivation and that can get quite tough," Patrick explains. He believes his team has done it tougher than they needed to. "I think if we'd had a clear focus, and really concentrated on the areas of the business that we wanted to work in—rather than taking on just any type of work—we'd have got to where we are a bit faster." He adds that they'd probably have enjoyed the process more and been a little less stressed over the years.

Patrick also advises to try to find projects and clients that really suit your business. While he acknowledges that it's hard to say no to work when you just start a business, Patrick believes that small businesses really need to do this. "Otherwise, you get trapped doing work that you don't enjoy. As a small business, you're likely to overcommit, and the project might be less profitable than it needs to be; if you dislike the work as well, it's really not worth it."

Selling the Business: Chimo

Web design and development business Chimo started in May of 1997 in Adelaide, South Australia. Less than ten years down the track, this business with a staff of 15 achieved what many web business owners can only dream of: it was acquired by one of the largest consulting organizations in the world.

Building a Business on Government Contracts

Jason Bender and his original business partner started Chimo in 1997, just as the Web was taking off. The pair—who had industrial design backgrounds—thought it looked interesting, and left their full-time gigs to form a design consultancy. The plan was that Jason's partner would focus on product design, and he'd focus on the Internet.

"The South Australian state government had some grants for proof-of-concept projects," Jason says, "and we pitched and won a project called Bizgate." This government transaction platform let people pay bills and deal with government agencies online, and in 1997 it was a very innovative project. "That was the cornerstone project. We still run, host, and support that application today. It's processed \$4.4 billion in transactions to date, and is used across local and state government agencies. That was the first project we won, and it's been our longest-running project."

In 1999, Jason's business partner left the largely web-focused, four-person business to pursue a career as a product designer, and Jason brought in a new partner, Richard Jacka, who had an accounting background. This was a boon for the business.

“I’m a designer by profession,” says Jason, “so having some strong financial skills was a real asset to us.” In fact, Richard’s skills helped Chimo stay afloat in those early days. More than that, Richard helped Jason see new opportunities to grow Chimo, so they focused on government services, and in 2001, won part of the “Networking the Nation” round of funding for the Local Government Association’s Dynamic Council Websites (DCW) project.

“That eventually went on to become a common content management platform for almost all the councils in South Australia and Tasmania,” Jason says. “Anything that a council wanted to share with its constituents, you could find out about using a common platform, and you could search across the entire state—not just within your local council area. That was another big project for us, and it’s still ongoing within the Deloitte business today.”

In 2001, the other key project for the business was ServiceSA, a one-stop shop that aggregated government services under one brand and platform. For this project, Chimo partnered with Deloitte. The multinational was the prime contractor who provided the contract management and governance, while Chimo provided the technical delivery, as well as ongoing support and maintenance of the system.

“That was great,” says Jason. “We got to work with the guys, and having a design consultancy background, we had a different way of looking at problems than did a larger, more structured engineering or professional services house like Deloitte.”

In 2003, Chimo was listed in the BRW Fast 100 and the Deloitte Fast 50, and they ranked again in 2004. “We would have been listed in 2005,” Jason explains, “but we were acquired by Deloitte.”

Looking to Grow

Chimo wasn’t a large organization when it was approached by Deloitte—it had grown to 15 staff over eight years. Jason explains that, while technically he and Richard sold the business to Deloitte, the pair saw the opportunity as a way to grow the business. “Some of the international government projects we were looking at had bid bonds—you needed to put down US\$100,000 just to be able to bid on some projects. That was capital we didn’t have,” he explains. Where once a small, two-person agency had been able to win a government pilot project when the Web was new, the space had matured to the point where the competition for government projects included 200- to 500-person organizations and big IT consultancies. While Chimo had a very good niche offering, the business had started to look less relevant in the market.

“We really had to grow,” says Jason, “in order for our clients—which was government—to really feel secure in us delivering the service long-term. That’s why we were considering our options at the time when Deloitte struck up a conversation.” And the options they were considering were many.

“A lot of our work was coming out of Victoria and Canberra, so we considered starting an office in those states. We looked at models like forming alliances with other small businesses in Canberra, so that they could feed us the larger development work, and they could do more of the project management; eventually, we just felt that would be too risky to the overall quality. It can seem like a good idea to start with,” Jason says, “but if someone wants to get out of the arrangement two years down the track, what happens then?”

Chimo decided that it really wanted to expand under its own brand and build its own teams. It was a profitable business, but still only had the resources of a small firm—not enough to set up offices in interstate markets. The next step was to spend time in those markets, identifying who they might appoint to work in business development, but in the end, they found they just lacked having the networks to identify the right person. “A lot of people seemed good,” Jason says, “but we felt there was a risk that we’d employ someone, pay them a lot of money, and get little out of it.” Without either Jason or Richard being willing to relocate to another state to build the business there, they didn’t see this as the way forward, either.

Finally, the team looked at organizations who wanted to roll up a number of players in the industry—to buy a company that was performing poorly, add technology people to it, and float it. “We thought it would just be a short-term gain in terms of money for us, but it would really risk the success of the business and the people. The people we work with are our friends. We’ve known them for a number of years; they all have families and houses, and we wanted to avoid cashing out.”

Then, after Chimo was listing in the Deloitte Fast 50 once again, Deloitte struck up a conversation with them about the future, and the possibility of acquisition. “We saw it as a way of attracting the virtual capital and resources that we needed to take our business forward,” says Jason.

One of the primary reasons the business was interesting to Deloitte was that they shared a lot of clients. “Our clients were top-end corporates or predominantly government clients at the local, state, federal and international levels. While we worked for a lot of the same clients as Deloitte, we weren’t competing for clients: Deloitte were providing consulting, strategic advisory, and other services.”

Deloitte had a web business run out of Melbourne and Sydney, but it had nothing similar in Adelaide. The Deloitte managing partner in South Australia saw an opportunity to expand there, and completed a market scan to identify the key players. There was some other strong competition in Adelaide, but Chimo had the client base and the long-term contracts with government that made the deal more attractive.

“They considered a number of competitors,” says Jason, “but essentially our working relationship on the Service SA project, and a good cultural similarity in the way that we approached engagements, as well as our team, made it a good proposition for them. If we didn’t have the long-term contracts, they probably could have put out an ad for people in the paper and built it organically.

“Since Richard came on board, we’d decided that we wanted to have a business; one of the great tests of whether you have a business—as opposed to having a career for yourself—is if the business can operate without you in it: would someone actually acquire it? So that’s been really satisfying for us.”

Making an Approach

The most important factor for Chimo to consider in assessing the acquisition was the cultural fit of the two organizations. Some of the team, including Richard and Jason, had worked with Deloitte since 2001—almost four years—so they’d had plenty of time to know the people there. Of course, to some of Chimo’s staff, Deloitte was little more than a big multinational brand, and there were definitely initial concerns among staff.

The transaction took just over six months, and during that time, Jason and Richard became more and more comfortable with the idea. “For us,” says Jason, “cultural fit was important, but it was also about growing our business and providing career opportunities for our staff. We’d enjoyed a number of years of rapid growth and exciting projects. Not every project went successfully—some had challenges, and we all had to work hard—but as a result, we were a tight-knit team.”

Jason and Richard felt they needed to know that the step they were about to take would give their people, some of whom had worked with them for five years, a strong career path. “Where were they going to go?” asks Jason. “How were they going to grow their careers? If it wasn’t going to be with us, they were going to leave and go elsewhere, and that’s not a fun position to be in if you want to grow your organization.”

So the owners spent a lot of time researching, and eventually felt convinced that Deloitte would be a good home for their people. A key factor was Deloitte’s “willingness to embrace

people who were just a little bit different,” Jason explains. “When we looked at the consulting division, there were people from very diverse backgrounds. Not everyone was an accountant—some were engineers, some came from general industry backgrounds—but all had grown up with a focus on a particular industry or technology, and were very good at what they did.”

He and Richard felt that that approach matched Chimo’s history. “One day,” Jason says, “we finally decided that the deal was going to go ahead, and we had to sit down and tell our team. That was a very interesting meeting,” he adds.

Since Adelaide was a very small market, it was impossible to involve the whole team in the should-we-or-shouldn’t-we conversation without the news of the potential acquisition getting out into the market. So the team didn’t see the news coming. Jason had everyone stop work one afternoon, and he held an all-of-business meeting to announce and discuss the news.

“We went through the stages of shock, and a few people initially were angry, but we worked through that over the course of an afternoon. We went out, and had dinner and drinks that evening, and by the end of the night, we had everyone settled down,” Jason says. “Those who weren’t entirely sure what they thought this big, faceless multinational corporation was going to be like decided they’d at least stick it out and see. These people were our good friends, and we wanted them to understand what our motivations were. As much as we’d have liked to have had the money to fund it ourselves, we needed additional capital. We also talked about how it’d be good for their careers, and so on.”

Jason was pleased that his staff were tied most strongly to the Chimo brand. They were worried about losing the Chimo brand and culture, and having to dress in suits. Jason and Richard successfully convinced the team that, for Deloitte, it was more important to have good people in the organization than to try to take control of the brand. “We spent a lot of time on making everyone happy,” says Jason, “And we did trade under the Chimo brand for a whole year after the merger.”

Cultural Considerations

Since culture was valued by both Chimo and Deloitte, Jason, Richard, and the Deloitte HR team spent a lot of time to ensure everyone understood how things worked in Deloitte. Says Jason, “It was quite a big change for people to understand that, while they still worked for Richard and me, they kind of didn’t work for us now—they worked for themselves (within Deloitte). A few of our team members took a while before they realized that they could challenge what we might say or want to do. That’s what the Deloitte integration

people did; they made sure everyone knew what their new rights and responsibilities were within that.”

Maintaining the Chimo culture was an important element of the successful transition. “We introduced quite a lot of our culture into the office here. One of the reasons why the Deloitte partner wanted to acquire Chimo was that it brought a different element into the culture of the accounting firm.” Chimo also had a chance to demonstrate to the Deloitte office what they brought to the business. “Because we were a profitable business beforehand, we came in and became a profitable unit within the Deloitte business. So we could hold our heads high and contribute, and that’s been really good.”

Chimo brought 15 staff to Deloitte, and one year on, Deloitte still had 14 of those original 15 with the company. Yet the individual outcomes were difficult to predict. “Some of the people who I thought would be the least comfortable in a larger organization have done really well, and are some of our stand-out performers now, five years on.” On the other hand, some of the team members Jason expected to enjoy the new environment moved on after two or three years. “In 2010,” says Jason, “I’m still here, as are five of the team we started with at that point.”

Brand and Capability Development

These days, in terms of the team size and the project work that the Chimo team does, Jason estimates the business is around twice the size it was at acquisition. Immediately after the merger, the Deloitte business ran Chimo and Eclipse. About a year later, they realized this made little sense to the market, so Chimo became Eclipse. Then both businesses became part of Deloitte Consulting, and now, as Deloitte, they’re approaching the market as just one brand.

“It’s taken a while for Deloitte to build up a brand for innovation, online data analytics, enterprise information management, and so on,” Jason reveals. “Now that we’ve built up that reputation in the market, we can go out and say, ‘We’re from Deloitte Consulting.’ We have a history of building a transaction service that’s still going, and we have similar stories of other offerings that we can use when we go to market as a single technology practice.”

Deloitte employs about 650 technology practitioners nationally; about 50 of those are in South Australia, many of whom, Jason points out, are working on projects from Melbourne and Sydney, while a number of people in Sydney and Melbourne are working on projects for South Australia. “We’re part of a national technology team,” Jason adds, “which is one of the main reasons the acquisition has given career opportunities to the people here.

If it was still limited to work in the Adelaide market, the opportunities would be finite for the people here.”

“We still have to fight for our work,” Jason says. “We still have to pitch for projects—they’re not dropped in our laps. It’s a competitive marketplace, but I think it’s much more comforting to be part of a larger organization, because it gives us greater relationships and networking. If we want to make contact with a particular organization,” he adds, “somebody within our firm usually knows somebody within the client organization, which lets us have a more meaningful conversation, as opposed to being only one proposal on the desk out of ten.”

Acquisition Advice

“If you want to be acquired at some point,” Jason suggests, “you have to have a business with procedures and processes—something that tells the buyer that even if one or two people leave, or the key owners aren’t in the business, it will continue.”

As Jason explains, that advantage could be ongoing contracts for support and maintenance; it could be a really good sales pipeline, or a great process for identifying, attracting, pitching, and winning work. “The more you have of those attributes,” he says, “the easier it will be to demonstrate the value of the business. Otherwise, you’ll just have a figure in your head, and it won’t come through. If you can substantiate ongoing revenue, year-on-year performance, good financials—that’s how a business will be measured. Everyone says, ‘I have some great software or IP,’ so if you do, you probably will have a couple of patents or applications ... you will have protected your IP in some way.”

Chimo had focused on building a real business—one whose value could be substantiated—in the years after Richard joined. “We had a good history of contracts, and good documents around our accounts, but we’d also paid a lot of attention to the contractual terms that we’d signed up with our customers, because this is all part of a due diligence exercise.”

Since Chimo was acquired, Jason has been involved in a number of potential acquisitions as part of Deloitte; while they’ve all sounded great up front, he reveals that as they’ve dug deeper into each business, they’ve found that there’s really nothing holding the customers or staff to the business in the future. “That’s where the valuation changes,” he says. “Usually what kills the acquisition plan is a difference in expectation of the valuation between the buyer and the seller.”

Valuation boils down to what a person is willing to pay for the business, and what the owner is willing to sell it for; both figures will depend on the reasons each party is interested in the transaction. “We had a whole lot of people and projects that we wanted to carry forward,” says Jason, “and Deloitte saw that.” It wanted to buy a growing, sustainable business, and that is why the acquisition was a success.

“On the seller side,” Jason advises, “make sure you get good advice. We had a lot of good legal help from lawyers and our accountant to assist us in the transaction.” Most small business owners haven’t been exposed to a transaction of that size or nature before, and unless you’ve already been through an acquisition, “you don’t know what you don’t know,” Jason adds. “Having a knowledgeable person talk you through why the process happens in a particular way will make you more comfortable,” he says. “More business-focused than emotional.”

Importantly, take time to get to know each other beforehand, and if cultural fit is important, you have to go with your gut. If you don’t think the cultural fit’s going to be right, then it’s probably not. In the end, the importance of culture comes down to what sort of transaction you’re after. “If you want to stay in the business with the people who you’re selling the business to,” Jason says, “you want to feel comfortable with them—not just you as an owner, but that your team is going to fit with the people from their team.”

Global Expansion: Reactive

Reactive³ is a digital agency doing website design and development, and online marketing. It was founded in 1997 in Melbourne, Australia by the Tims: Tim O’Neill and Tim Fouhy. Just nine years later, the team opened offices in London and Sydney with such success, that in 2010 they opened an office in Auckland, New Zealand.

Branching Out

Around 30 people were hard at work in Reactive’s Melbourne head office in 2006 when they decided to open offices in Sydney and London. While opening two offices simultaneously, and one in a different country, may seem bold, Tim O’Neill explains that there were different reasons for opening each office.

“Sydney was a market we had our eye on for a long time,” he begins. “If you’re working in Melbourne, it can be a bit disheartening, because a lot of the better clients and the bigger brands are up in Sydney, and there’s no opportunity to win that kind of work. We

³ <http://www.reactive.com/>

had wanted to open a Sydney office for a long time. That was a business decision; given the aspirations we had for the company, it was a move that we thought was inevitable and one we had to make.”

The team was fortunate in that one of their senior staff in Melbourne was keen to move to Sydney and set up that office, so it was comparatively easy to make happen. But there was another advantage: Reactive was working quite closely with an advertising agency in Melbourne, and they also wanted to open a Sydney office. The businesses went in together, pooling their funds to secure a great office at low cost. “It really helped make the entry into Sydney simple,” says Tim O’Neill.

Expansion into London was more of a personal decision, however. “My wife and I wanted to go and live in London, and travel the world a little bit before we settled down and had kids,” Tim explains. “Really, the only way for me to do that, having the business, was to set up an office. I took about six to nine months doing due diligence and market research trips there, and really looking into it. Tim Fouhy was quite good about it, saying that if I could prove to him that it would work as a business, we’d set up an office there.”

Tim O’Neill says that it was a great process for him to go through, putting together a business case to justify the move. Ultimately, “it really was just a risk that we thought was worth taking.” He flew over, hit the ground running, and started finding work and building up the office. “Fortunately, it was quite successful.”

When Tim talks about market research, he points out that there’s government help for organizations wanting to set up businesses in the UK. “We did a bit of work with UK Trade and Investment (UKTI), who helped us meet accountancy and legal firms, and assisted with paper work and setting up the business structure. They didn’t help us with finding clients, but they made the path a bit easier.”

Probably the biggest benefit of working with the UKTI was that they helped set up bank accounts ahead of Tim’s move. Without such help, the process can be problematic, since the banks want to know where you live, and you don’t know where you’ll live until you get there. UK Trade and Investment helped streamline that process.

“Doing the market research was really just going over there, meeting people, and talking to people,” says Tim. “I had some friends who worked in the digital industry, so it was about finding out market rates from agencies, who were the best agencies around, and how much staff got paid.” It was all extremely important information to know before he started the UK arm, as it helped him work out whether or not the business would actually stack up.

The key staff members who Reactive sent to each location began hiring people reasonably quickly. “We needed to do that in order to build a self-sufficient team,” Tim explains. “That’s the way we’ve expanded all the offices; we haven’t set up the offices as sales offices. The vision is that every office will be self-contained—a business in its own right—and will not be dependent on any other office for fulfilling project work.”

Tim reveals that completing project work across offices can be very challenging from a time zone perspective when overseas. While Reactive has experimented with that over the years, they’ve found that a lot of structure has to be put in place to make sure the overseas work doesn’t get de-prioritized in the studio. “It’s easy for a colleague to come over to you and say, ‘Can you do this now?’” says Tim, “and that can easily push overseas work down the priority list. So this was a key reason for the hiring of staff to create independent offices: to make the team’s lives easier from a production point of view.”

The other reason was that Reactive actually wanted the offices to be businesses—to have their own profitability, office culture, and so on. “So,” says Tim, “when I left London after setting it up—I was there for three years—I wanted it to exist after I left: an entity in its own right, with its own culture, which wasn’t dependent on me, personally.” If Tim had just opened a sales office and then left, it would have been a waste of three years. “We wanted to actually build something in each office.”

Obviously, succession was always on the cards for the London office. However, because of the nature of the staff Reactive had in London, there was no clear succession plan within the office itself. “They weren’t the type of people who could take over running the business. They were designers and developers who were fantastic at what they do, but they’re not business managers,” Tim explains.

As such, succession was the biggest risk for Reactive’s London office, and, Tim comments, “it was a risk that couldn’t be solved or even mitigated that much when I moved over there. We just had to hope that in a few years’ time we could find a person who could run the business instead of me. We didn’t know who that would be, but that wasn’t reason enough not to go and set up an office.”

As it turns out, fate smiled on Reactive. One of the senior Melbourne staff raised his hand after Tim had been in London for about two years, and said, “I’m really interested in moving to London. If you’re ever thinking about moving home, I’d love your job.” It really worked out very well. “He moved over about four months prior to me moving home,” explains Tim. “We had a handover, and he took over my job and I came back here. It was remarkably smooth, and really fortunate. If he hadn’t raised his hand, we would have had to actually look for a replacement.” While there were a few people in the business at the

time who they had their eyes on, you can't force an employee to move their family to London. They have to really want to do it themselves—especially in a business leadership role.

“It’s a really challenging role,” Tim says, “especially with the economy in the UK. The fact that he volunteered for it—he really really wanted to do it—meant that his heart was in the job.”

The 2010 New Zealand office opening was another interesting expansion for Reactive. The country is still struggling through the recession that followed the global financial crisis, so the market isn't particularly strong. “We’re just starting to see general signs of recovery now,” Tim reveals. “That’s not to say that the digital industry’s not still growing—it is, and that’s why we could justify setting up an office there.”

It took time, though. Both Tim and Tim are Kiwis, but after studying at university together in New Zealand, they moved to Melbourne to launch Reactive, and neither of them has ever worked in the industry in New Zealand. All the same, this was a logical fourth office for the team. “We know people in the industry there,” says Tim, “people we studied with, for example, and our GM in Auckland is a very good friend of a person we studied with at uni.” Tim explains that opening in Auckland has been much easier, not just because they know people in the industry, but because the time difference is negligible to Australia’s, and the culture is very similar.

All the same, economically, there’s less appeal in the NZ market. “Every dollar of profit in New Zealand is three-quarters of a dollar of profit in Australia,” says Tim, “so it’s more profitable to have a successful business running in Australia. And the market size in Sydney or Melbourne is bigger, too.”

Lessons Learned

There are always challenges in any business. “Sydney was a pretty hard slog for a long time, just to get solid, consistent revenue and profit,” Tim says. In a challenging market with a lot of good agencies that do similar work to Reactive, the Sydney office found it difficult to find great staff as well. “We’re well known in Melbourne, but in Sydney, we didn’t really have a profile, and the best staff want to go and work at the companies they’ve heard of. So it’s taken about four years for us to be on the radar of the industry and the market in Sydney, and now we’re invited to really good pitches and we have excellent staff approaching us. But that took longer than we’d expected.”

The London office faced similar hurdles. “There are some real rock-star agencies over there,” Tim points out, “like Dare and Glue and LBI and RGA—the best agencies in the world—and everyone wants to work there.” When he moved there four years ago, Tim found that the industry was really strong; there was a lot of growth, and everyone was hiring. As a result, it was difficult for Reactive to recruit. Then there was the recession, which meant it was easy to find staff—but of course, many clients were closing their pocketbooks and not spending a lot of money. “We’ve been really fortunate through recession times,” says Tim. “We’ve had some really strong clients on retainer. But that’s still an ongoing challenge: to maintain a good level of revenue and profitability, and really grow towards the ambition that we have for the business.”

Tim acknowledges that the business failed to do enough to build its profile when it opened these offices—there was no PR or marketing. “We had a couple of foundation clients in Sydney, so we had the workload to justify a small team, and we were just doing lightweight marketing and search marketing—SEO has always worked for us.”

How times change: these days, Reactive has a PR firm that’s helping the business raise its profile in Sydney. While they’re not doing anything in London yet, they have plans to in the immediate future. “We should probably have done that originally,” Tim concedes. “Marketing can be expensive, and it’s really hard to justify the expense of PR, because it’s rare that you win a project directly from it. Now, in hindsight, we will do it for other offices. We’ve opened a New Zealand office, and we’ve started doing PR to raise the profile there.”

Tim explains that having the offices operating independently helps a lot, because they’re all operating as businesses in their own right. There’s no subsidizing offices: they all have their own profit and loss, and if a business doesn’t have enough work to justify the staff, the team knows they need to act within that business.

“Ideally, that’s to find more work, but sometimes you have to reduce the staff levels. We did have to reduce the staff levels during the GFC—ironically in Melbourne and Sydney, and not so much in London. London was a much smaller team, so was able to fly under the radar of the GFC.” This situation was very similar to the position the business was in during the 2000 dot-com crash in Melbourne.

“We had a pretty small team—five or six people—and we weren’t reliant on \$100,000-plus projects. They’re the projects that dry up,” Tim says. “They’re the ones that are put on hold until the clients see that the economy has turned.” But with just five or six people, Reactive would jump at a nice, \$20,000 job. That’s why the business is still around.

“Before the dot-com crash, it was very difficult for us to speak to a large client as a small agency and have them say, ‘Yeah, we’ll spend \$100,000 with you,’ because there was the whole trust issue. There were several places where we lost pitches, and the client said that it was just because the other company was much bigger.”

But when the dot-com crash hit, those big companies went out of business; several of those clients came back to Reactive, and gave them their entire company account. “One of those clients was Peregrine Adventures,” Tim reveals, “and it was a client for about ten years after that. A lot of clients suddenly had a lot of mistrust around these big agencies—and for good reason—so a smaller team like us was actually less of a risk.”

With this strong track record of expansion, Reactive has plans to open another couple of offices in the next few years. “We’d really like to go to the States and open an office there,” says Tim. “We’re doing market research around it at the moment. And we also see it as inevitable that we’d open an office in Asia.” These plans are in their early stages, and while the team has done quite extensive market research into Asia, the decision to go ahead will be a difficult one.

“There are a lot of cultural differences, and it’s certainly not going to be easy,” Tim predicts. “I think it would be more challenging opening an office in Asia than in any of the locations we have so far, so we’re a little bit scared about that. We’re unsure quite how much due diligence and how much risk we’re prepared to take in that. But certainly, in the next two or three years we’ll be there.”

Do Your Due Diligence

If you’re thinking of expanding your business into new locations, one of the biggest challenges is to know how much due diligence to do—and when to just say, “Okay, we’re going to do it,” and accept the risk involved.

“For London,” says Tim, “I did a lot of due diligence, and a full business plan that was 30 pages long. It certainly did the job, and justified to myself and Tim that we could do it, but when you get there, you never look at it again.” In hindsight, Tim believes that if he’d just decided to go and open the London office, it probably wouldn’t have made any difference. The plan was of no consequence once Tim was there; it only helped him to make the decision to go to London in the first place.

Sydney was the same—the team did a lot of research and justification. “That’s natural—you don’t want to mess it up the first few times you do it,” Tim admits. “But I think we now

know what needs doing in terms of going into a new market. We know what the risks are, and we know as best we can what we can do to reduce those risks.”

His philosophy now? “If we were going to open an office in the States, we’d need to set aside a pool of money that we were prepared to lose. If it doesn’t work out, the team must be prepared to say, ‘Close the office: it didn’t work out, and we’ve lost the money, but it was worth a shot.’ But,” he hastens to add, “they’d do everything they could to make sure the office was successful.”

How much documentation and due diligence do you really need to do? Tim says, “We’re an independently owned agency—I own half the agency and Tim Fouhy owns half the agency—so it’s our risk. We decide whether we want to do it or not. We don’t have to justify it to an external board, or shareholders, or anyone aside from ourselves—and that’s a lot different from other agencies who have external pressures and must go through a really thorough process.”

If you’re looking to expand, question whether you really need to document your plans before you go and take the plunge. “If you have that money and you’re prepared to lose it, and have a really strong feeling that you can do it—and you’ve done all the planning to make sure it’s a success—just go and do it.”

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