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## The biggest business risk is ignoring change

Small business owners face a multitude of risks that can make it difficult to maintain and grow their businesses. These risks include financial uncertainty, market disruption, operating model inefficiencies, and regulatory changes. They also include daily operational risks that keep most small business owners up at night: cash flow and payroll, finding and retaining customers and finding and retaining staff. These challenges can be particularly acute for small businesses that are just starting, as they may not have a significant cash reserve or established customer base to rely upon. Below a certain size, small businesses find it hard to step out of this operational risk cycle.

Operational risks separate the stayers from the “anyway”ers. If you love what you do, chances are you’ve started a small business without having to pay much attention to cash flow, payroll, customer funnels and staff. As an owner, these are likely the only things you think about. Even though you don’t want to.

**Here’s how you can address the loss of the personal freedom you thought you were creating for yourself:**

1. Plan ahead: By anticipating potential risks and developing contingency plans, business owners can be better prepared to respond to challenges as they arise. A good cash flow model is essential.
2. Build a strong team: By hiring talented and dedicated staff, business owners can delegate responsibilities and build a more resilient and adaptable business. Skimping on the team never works out.
3. Embrace technology: By leveraging technology, such as accounting software, customer relationship management tools, and marketing automation, business owners can streamline their operations and improve efficiency. It’s worth the time and effort in the long run.
4. Pay for help: By partnering with the right doers and experts or employing them, business owners who are less comfortable with managing their operational needs themselves. Get someone in your corner to help you through your core operational risks.

While operational risks can be managed with a relentless focus managing a few key processes well, strategic risk requires more fundamental innovation. For example, even five years ago, local print shops were common. Providing printing and marketing services to other small businesses in the area, print shops owned a geography, much like restaurants and cafes. In recent years, the print industry has faced significant market disruption as digital marketing has become more popular. Many small

businesses have shifted their advertising budgets away from print advertising. Additionally, new regulations around data privacy have made it more challenging for small businesses to collect and use customer data, further impacting the print shop's ability to offer targeted marketing services.

To remain competitive and relevant, most local print shops have had to adapt by offering new services that align with changing customer needs. For example, those that have survived now offer digital marketing services such as social media management and email marketing to complement their print services. They have also invested in new technologies such as 3D printing and augmented reality to create unique marketing materials that stand out in a crowded market. In the last five years, consolidation of market power to retailers that also sell office supplies, technology and high capital goods both in store and online, has been rife. This has put a lot of small print shops out of business.

In another example of strategic risk to small businesses, look at what's happened to the average accounting firm that has had to innovate to remain relevant. With services usually centred on providing tax and financial planning services to other small businesses in the area, over the last 10 years, many accountants and small accounting firms have consolidated into partner-based businesses in order to address the commodification and automation of the businesses' core services.

At one end of the scale, cloud-based accounting software has become more available, more affordable, more popular, and smarter. So many micro, lifestyle and smaller businesses can now manage DIY tax preparation or engage accountants for much less time than they used to. At the other end, new regulations around data privacy and financial reporting have made it more challenging for small businesses to stay compliant. Keeping up with these changes requires accounting practice staff education and service innovation by the accounting firm.

Some accounting firms have managed this transition, while others have not. Most now offer cloud-based accounting software to their clients, providing a more streamlined and efficient way to manage their finances. Many also offer financial planning services that go beyond traditional tax preparation, helping small

businesses plan for long-term financial success. This includes a mix of business advisory and private wealth management. The next wave of change will force small accounting firms to look beyond the monthly and annual cycles at underlying drivers of business performance. This is a move that encroaches on traditional management consulting services. The big accounting firms are already there. Small accounting firms will come under significant market pressure to offer these value-adding services or be priced out of the market by digital substitutes.

The fundamental nature of risk in our rapidly changing business landscape is such that the average small business must innovate to remain competitive and relevant. Innovation is not just about creating new products or services; it's also about finding new ways to solve problems, meet customer needs, and differentiate yourself from competitors. It can take many forms, from new technologies and processes to new business models and partnerships.

For example, a small business that provides cleaning services could innovate by offering eco-friendly cleaning products or partnering with other local businesses to offer bundled services such as landscaping or maintenance. A B2B business that provides IT support could innovate by offering cybersecurity services or partnering with other technology providers to offer a complete suite of IT solutions.

Innovation can also involve reimagining your business model or changing your target market. For example, a small business that provides event planning services could pivot to focus on virtual events or niche markets such as destination weddings or corporate retreats. A B2B business that provides marketing services could pivot to focus on a specific industry or target market such as healthcare or tech startups.

Ultimately, small businesses that are able to innovate and adapt to changing market conditions are the ones that will survive and thrive in the long run. To do so, small business owners must be willing to take risks, experiment with new ideas, and embrace change - in other words, become more like an entrepreneur. The owners that are great at these kinds of changes must also be open to feedback and collaboration, working closely with their customers, partners, and employees to identify new opportunities and find creative solutions to challenges.



Innovation is not just a buzzword; innovation separates the players from the stayers. Managing risk sometimes means taking a smaller risk. Recognising that taking a risk is a better option than not changing at all can often be hard for a business that is used to doing things a particular way. That said, there is no better defence than innovation when it comes to small businesses remaining relevant and competitive. Finding new ways to create value for customers and communities enables small businesses to build resilience. This gives it a level of adaptability that will serve the business through all types of economic and market conditions.

Despite these challenges, in our experience most small business owners and founders are remarkably resilient on a personal level. Through countless obstacles, these incredible people show up to pursue their dream. Though it can sometimes get lost in the busyness of the everyday, most small business owners are driven by passion, determination, and the desire to create a better future for themselves and their communities. They're the unsung heroes of our economy.

