



State of the Business Owner 2013

The Pulse of Small and Midsize Business

www.stateoftheowner.com

PRESENTED BY  + PixelSpoke 



Research Participants

More than **1,700** business owners participated in the study, from **83** countries.

65% of participants surveyed have owned or founded at least one company previously.

Seen in:

Forbes PORTLAND
**BUSINESS
JOURNAL**

Acclaim for SOBO 2012

*Best Paper Award: Academic Paper
Most Relevant to Entrepreneurs*

USASBE
United States Association
for Small Business and
Entrepreneurship



Contributors

SOBO provides actionable insight for small and midsize business owners. Our vision is a global community of entrepreneurs who share best practices and gain support from industry leaders in coaching, marketing strategy, and systematization. We know how difficult running a great business is. SOBO is about making it easier. When small businesses grow, our world is a better place.



EMyth is the global leader in transformational business coaching. EMyth has inspired more than seven million business owners through its best-selling book and has coached more than 70,000 small and midsize business owners to become better leaders, systematize their business, increase profitability and simultaneously find ownership and meaning in their work. Through its cloud coaching platform, EMyth offers owners the option to work at their own pace or with hands-on guidance from a certified business coach.

[Learn more about EMyth](#)

PixelSpoke is an award-winning digital marketing agency dedicated to helping small and midsize businesses use the internet to achieve success. PixelSpoke helps companies clarify and focus their marketing strategy, make their websites an effective hub of their marketing efforts, and capitalize on the latest digital techniques. Core services include website redesigns, website evaluations, identity and branding work, marketing analytics, mobile, messaging, social media, and email marketing.

[Learn more about PixelSpoke](#)

THE DATA

This study was prepared by **Cameron Madill** and **Oleksiy Osiyevskyy**. The average n for visualized data is **859**.

Cameron Madill is the founder and CEO of PixelSpoke, a digital marketing company in Portland, Oregon. He has started and been involved in numerous entrepreneurial education groups, and has a passion for using research to understand the entrepreneurial ecosystem and the world of SMB marketing.

Oleksiy Osiyevskyy is a researcher (Killam doctoral scholar) at the Haskayne School of Business (University of Calgary, Canada). His primary areas of expertise include business model innovation, adaptation to disruptive innovations, small business development strategy, and innovativeness & entrepreneurship.

HOW TO CITE THIS REPORT

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The Real Foundations of Small Business Growth

The cautious optimism we saw in last year's study has been replaced by untempered optimism about growth in 2013. Entrepreneurs showed us what's underneath this more positive outlook. They're building values-driven businesses and investing in a set of universal best practices, giving them the stability they need to weather the ups and downs.

THE GROWTH PARADOX

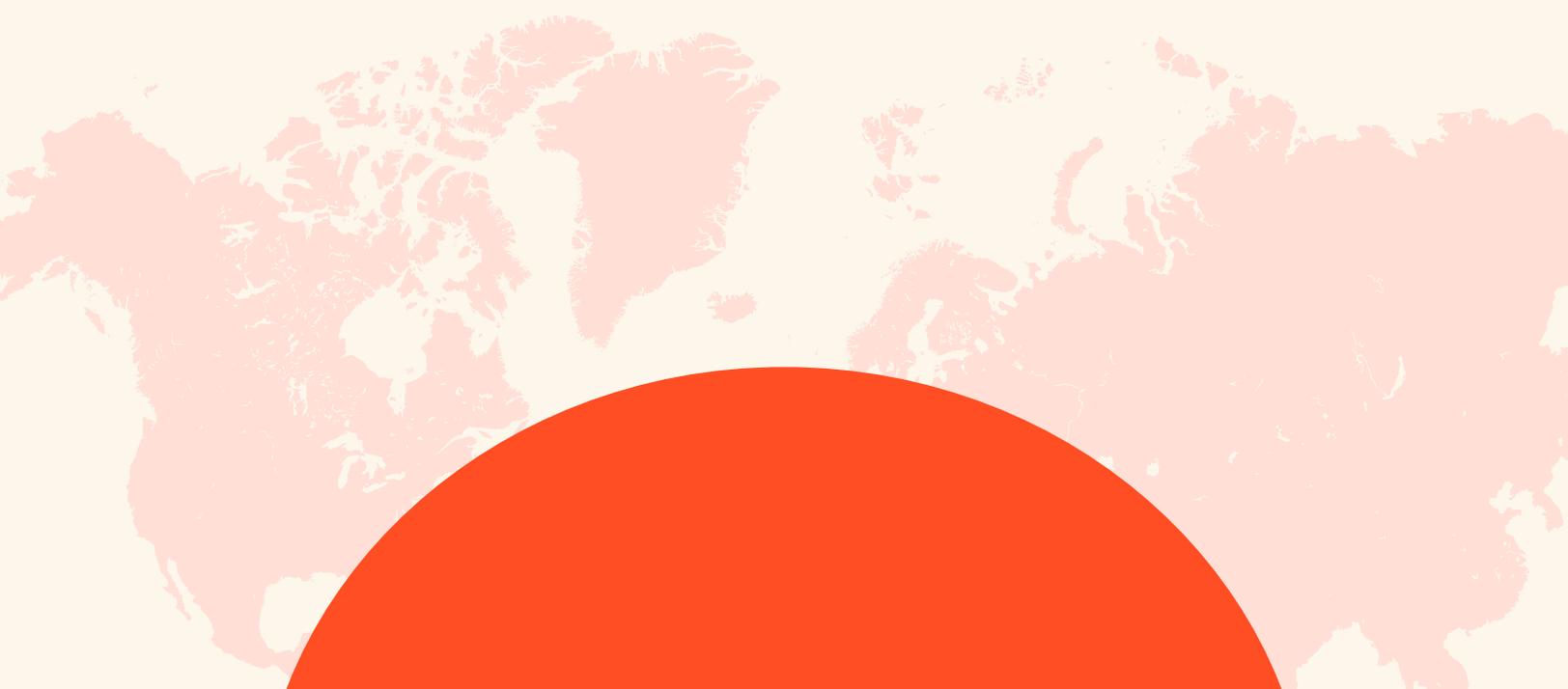
Business owners are focused overwhelmingly on growth as their primary goal in 2013. However, when we asked them why they started their companies, personal meaning was far and away their primary driver. We wanted to find out how this focus on business growth tied in with their personal goals.

A UNIVERSAL SET OF TOOLS

The results show the powerful effect of certain best practices — and this year we studied how owners were using those best practices to simultaneously reach hard business metrics and affect more personal drivers.

SUSTAINABLE GROWTH

The source of sustainable revenue and profit growth didn't come from individual marketing tactics, but from a holistic focus on the customer, a clear growth strategy, and alignment between metrics and goals.



The State of the Business Owner

One of the largest global studies of small and midsize business success factors

The Global Economy

63%

think the economy will get better

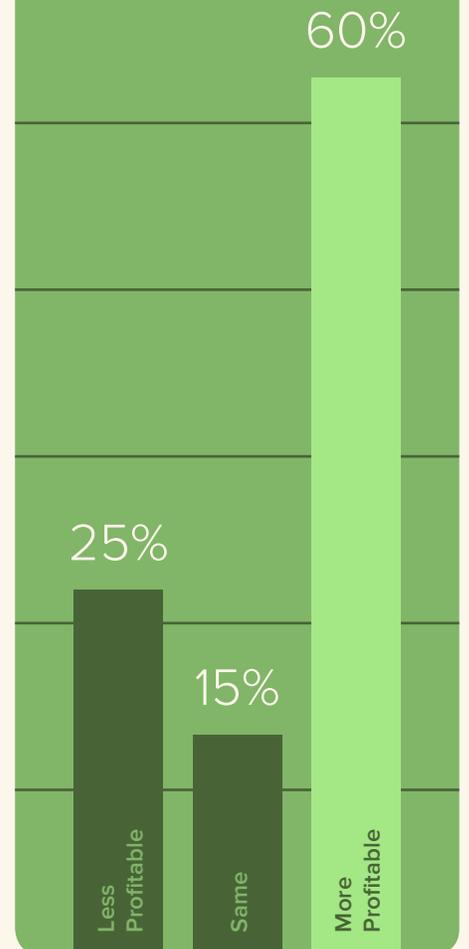
Cashflow Challenges



80%

say inconsistent cashflow is a problem

Profits in 2012 vs. 2011



The Optimism Index

+25%

Owners are more optimistic about revenue growth in 2013 vs. 2012

Slow Staff Growth

40%

more revenue growth than staff growth

Wages Rising Slowly

57%

gave raises of 2% or less in 2012



The Growth Paradox

“Every year we have financial targets, but we achieve our greatest successes when we focus on the growth opportunities for our team....”

Anne-Marie Faiola, Brambleberry
E-commerce, 35 Full-Time Employees
Bellevue, Washington, USA

The Growth Paradox

The problem with “If only...”

Owners overwhelmingly start their businesses for personal reasons, but this is often replaced by the “if only” syndrome.

“If only I had more sales...” becomes the common refrain of business owners everywhere. We decided to look deeper into why this happens and what’s really going on.

EVERY OWNER WANTS GROWTH

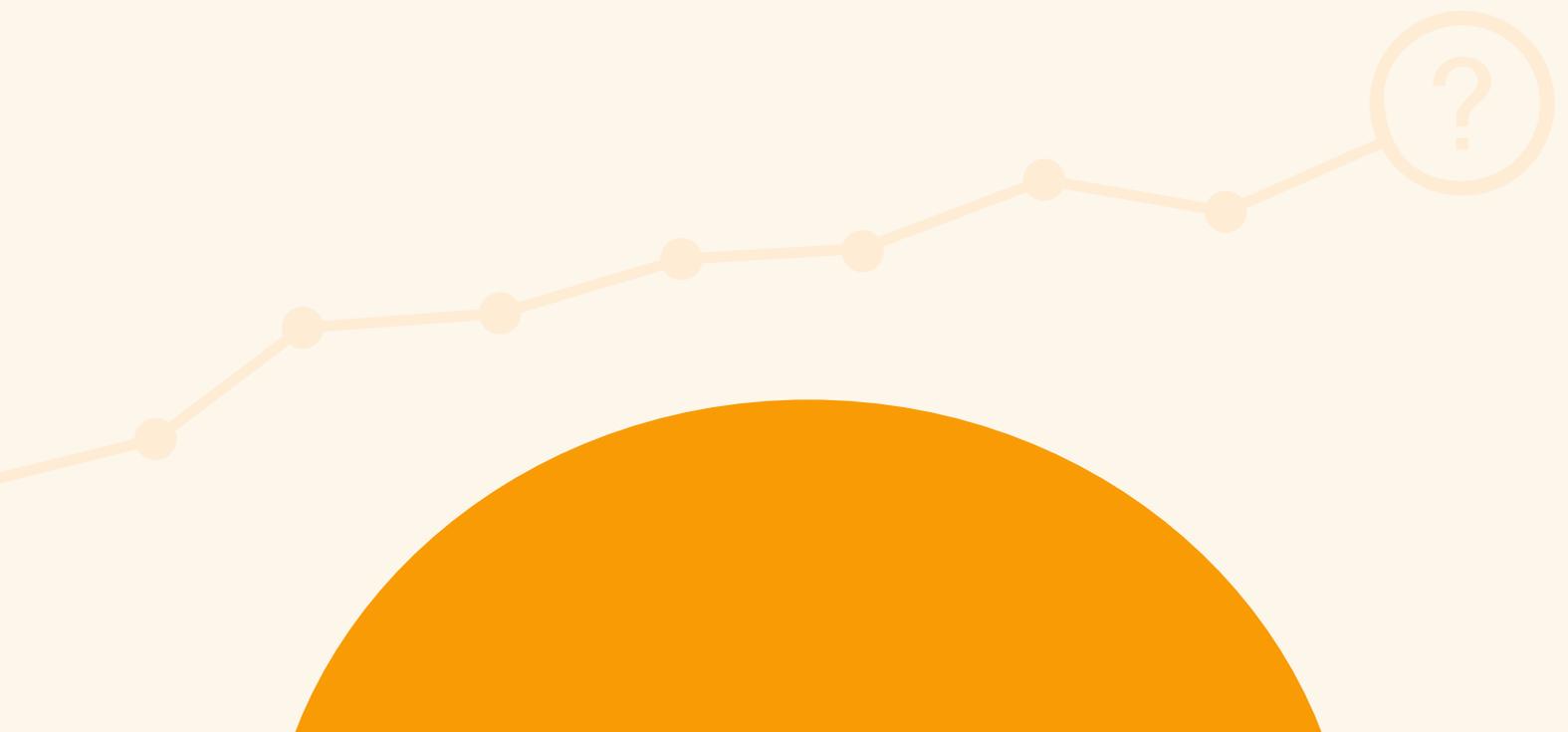
Business owners overwhelmingly focused on growth as both their biggest opportunity and greatest challenge in 2013. We wanted to understand if this single-minded focus on growth was really getting business owners where they wanted to go.

THE ESSENCE OF ENTREPRENEURSHIP

When asked why they started their businesses, our respondents overwhelmingly cited the search for greater meaning and purpose, with money or the need for employment far behind.

MONEY AND MEANING

We found that we could predict revenue and profits of a business from subjective factors, such as the degree to which an owner had (or was lacking) a feeling of control and happiness with their business. Engaged owners, getting these two needs met, had companies that performed better.



Every Owner Wants Growth



IS BIGGER THE WAY TO BETTER?

When asked about their biggest opportunity and greatest challenge in 2013, business owners overwhelmingly named **growth**.

This led us to ask: does it really make sense to focus on growth, or is there more foundational “getting your house in order” work that comes first? Owners’ stated priorities made it seem like this was the right approach, but we weren’t convinced.

HOW DOES GROWTH ACTUALLY HAPPEN?

There are a variety of factors that go into business growth, and they’re not always easy to quantify. Not surprisingly, taking a slow and steady approach was important. But more importantly, the results showed that having the basics in place was just a start. Next-level businesses were customizing and ‘working’ what they had, to build a more seamless and integrated culture and business.

“My company started to grow the right way when I hired the right people, focused on strategic business, and decided to not be afraid and explore new fields and diversify.”

Hellen Alvarado, IBACO S.A
Medical Products, 6 Full-Time Employees
San Jose, Costa Rica

The Essence of Entrepreneurship



WHY DID YOU START YOUR BUSINESS?

When asked why they started their business, the top three reasons entrepreneurs gave were: **freedom** to pursue new opportunities, following their personal **passion**, and to gain **independence** from others' control. Money ranked a distant fourth.

BUSINESS OR PERSONAL?

Entrepreneurs are clearly motivated by both business and personal goals: they work hard to reach their personal goals through their business, and grow their enterprise without diluting their core values.

“We started OCI Group because we had a passion for people, and we thought we could change the world.”

Luis Gonzalez, Our Community Inc.
Consulting, 6 Full-Time Employees
San Antonio, Texas, USA

Money and Meaning

Happiness + Control = Meaning

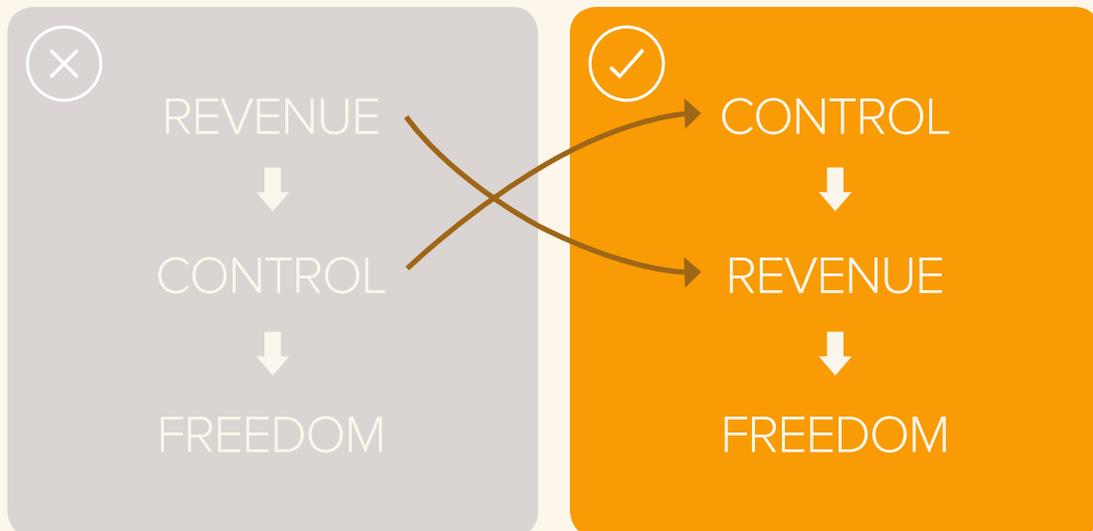
A business that supports the owner's life and goals provides the owner with personal meaning. We wanted to see if there was a correlation between those more personal factors, like control and happiness, and the standard business metrics of profitability and growth.

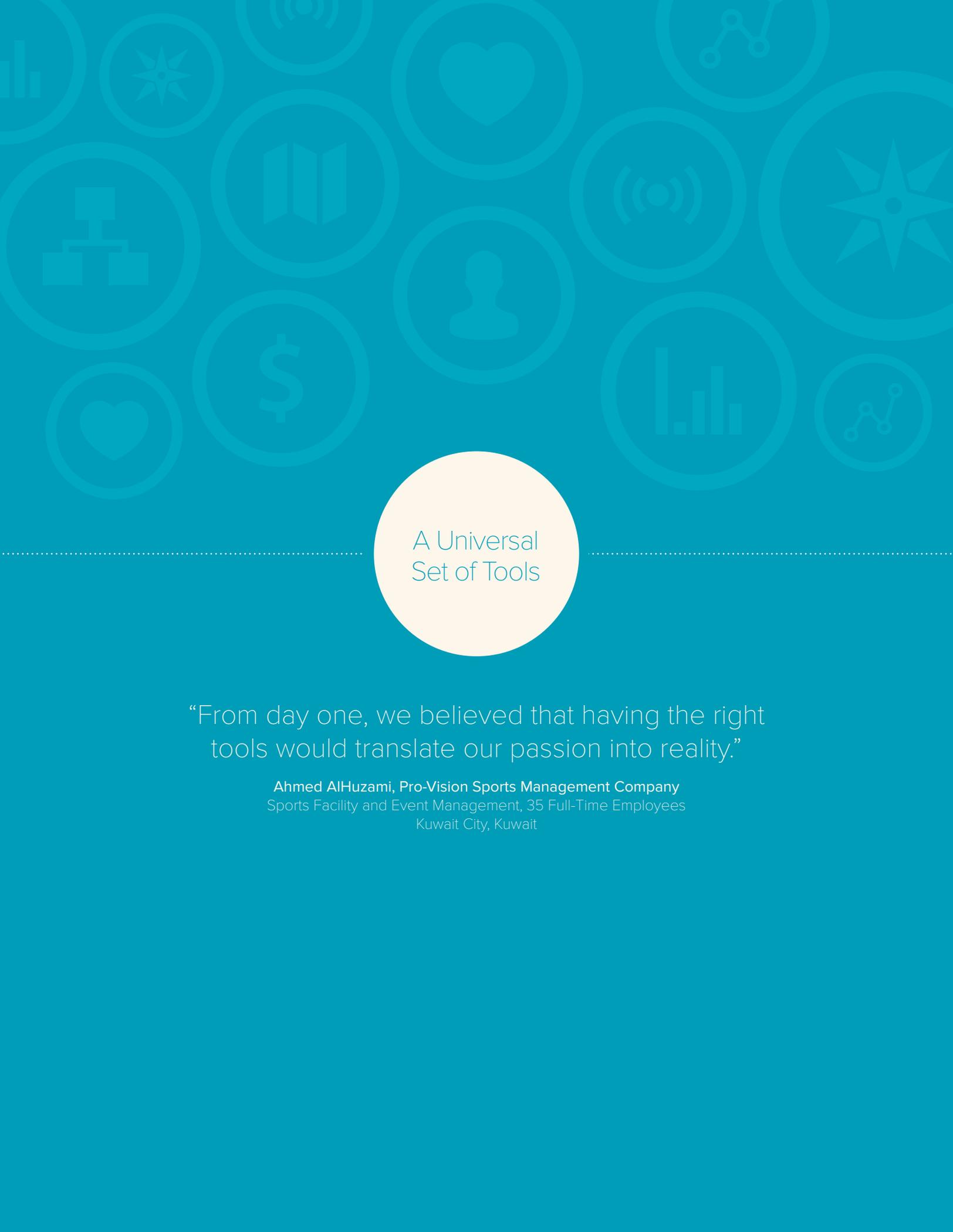
AN UNEXPECTED CONNECTION

We found that Control, Happiness, Growth, and Profits are deeply connected. If we knew one of these factors for any specific business, we could predict the other three factors with a high degree of confidence. Like a chair that needs four good legs to sit on, all of these elements are required for a successful business.

But don't happiness and control come from growth and profits? If it were easily possible to just grow in profits and revenue, we would have found businesses that were doing so. But we found almost no businesses for which this was true. In the next section, we will introduce best practices to help you gain greater meaning out of your business.

The data overwhelmingly shows that companies fail to grow if the owner feels out of control. If you're unhappy or out of control, it's the wrong approach to simply focus on revenue.





A Universal
Set of Tools

“From day one, we believed that having the right tools would translate our passion into reality.”

Ahmed AlHuzami, Pro-Vision Sports Management Company
Sports Facility and Event Management, 35 Full-Time Employees
Kuwait City, Kuwait

A Universal Set of Tools

The impact of best practices on success

Every day, business owners choose how to invest their most precious resource: time. We examined a broad range of business tools to understand where owners should focus their time and energy, depending on the stage of their business.

THE OWNERSHIP STACK

In 2012, we found strong correlations between individual tools and revenue growth. This year, we looked at the impact of the total number of implemented best practices. We called this set of tools “The Ownership Stack”, and found a significant increase in the odds of reaching profit growth targets for each additional implemented best practice.

THE RIGHT TOOLS MEAN A LOT

We expected to find a difference between “soft” tools that create happiness and “hard” tools that create a feeling of control, to find out where a business owner who is unhappy or lacks control should start. We were wrong...

ROOM FOR IMPROVEMENT

We found varying degrees of adoption for the different tools in the Ownership Stack, but the opportunity for improvement was universal. What’s critical is that it’s not just about adding the ones you don’t have today, but revisiting the ones you do to make them much more effective.



The Ownership Stack

The essential toolkit for profitability

*Each one of these nine tools had a dramatic impact on the business — **implementing each one increased the odds of reaching your profit targets by 6.6%**. And it doesn't matter which one or in what order. We found a clear and predictable path for a business to follow to reach a higher degree of profit performance.*



Written Values



Written Vision



Business Metrics



Written Marketing Plan



Ideal Customer Profile



Marketing Metrics



Employee Role Descriptions



Revenue Plan



Repeat Sales Plan

WHY IS IT CALLED “THE OWNERSHIP STACK”?

We call it this to make it clear there's no secret if you really want to feel in control — to “own” your business through and through. It's about taking the time to build your foundation — to think about the future and plan how to get there — knowing that every step you take is a step in the right direction.

BRINGING IT ALL TOGETHER

These tools, which cover the fundamentals of Vision, Planning and Metrics, are things that business owners have been using for decades; but what we found compelling was how these tools, powerful on their own, work together to support real and sustainable revenue growth and increased profitability.

The survey results gave us not only compelling information about which tools people were using and their overall activity, but also which tools had the biggest impact on different business goals - from profitability to happiness to growth.

The Ownership Stack Defined



Written Values

A clear set of values from your heart, that inspire a team of people who share your priorities and deeply own their responsibilities in a way that frees you.



Written Vision

A 2-3 page statement defining what your business will look like, act like, feel like and perform like when it's treating customers how you want it to, every time.



Ideal Customer Profile

A detailed definition of your perfect customers. This includes demographics and psychographic information about how they feel, think, and make decisions.



Employee Role Descriptions

Signed agreements that define every role — focused on results and values, not tasks and policies. These are the foundation of job ownership and excellence.



Revenue Plan

Plans for generating revenue, and associated assumptions, documented and translated into a twelve month budget that is both realistic and stretches you.



Written Marketing Plan

A cohesive plan for generating leads, designed to meet your ideal customer where they are, with what they need, in a brand-consistent way.



Repeat Sales Plan

Driven by powerful customer experiences, systems that leverage your existing relationships to sell more and more often to your current and former clients.



Marketing Metrics

Indicators that tell you how well you've converted people from total strangers to your best customers, so you have actionable data to maximize your impact.



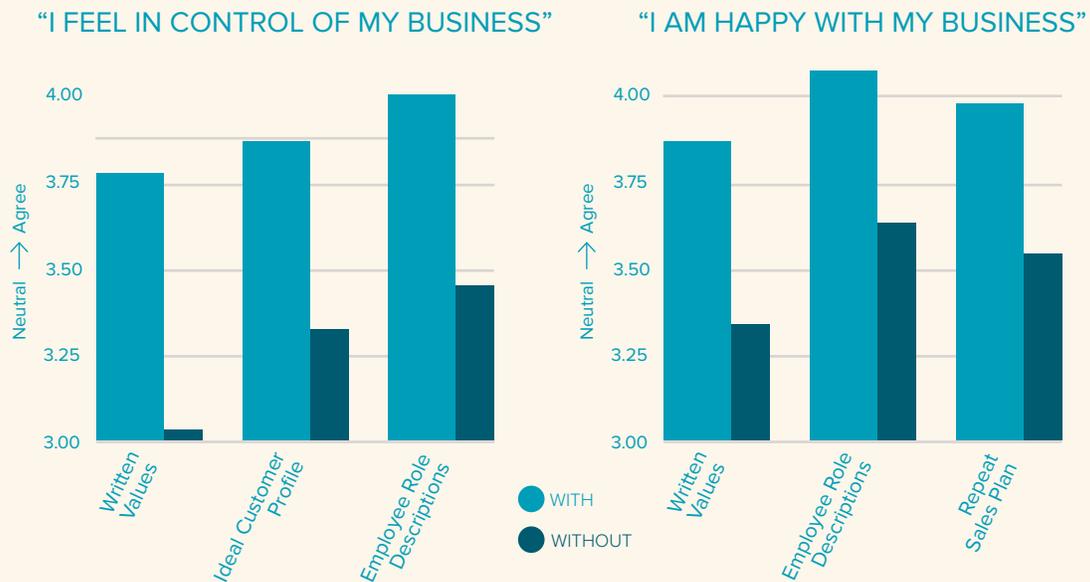
Business Metrics

A simple dashboard of strategic indicators to track progress toward your vision, to ensure initiatives have the right impact, and course correct as needed.



The Right Tools Mean a Lot

How best practices influenced owners' sense of control and happiness



THE IMPACT OF INDIVIDUAL TOOLS

Every single best practice we examined correlated with a significant increase in an owner's sense of control and happiness.

A SURPRISING SOURCE OF CONTROL

The effect of defining company values was dramatic; it was the single strongest correlation we found for either happiness or control. This shows that a feeling of control was not caused by tools thought of as "controlling," such as a budget or role descriptions. The purpose-driven company was actually the most 'in control' company.

See "What is a Best Practice" on the next page to understand how a business owner can implement a tool that increases their sense of control and happiness, and still not get business results.

Room For Improvement

Taking best practices to the next level



WHAT IS A BEST PRACTICE?

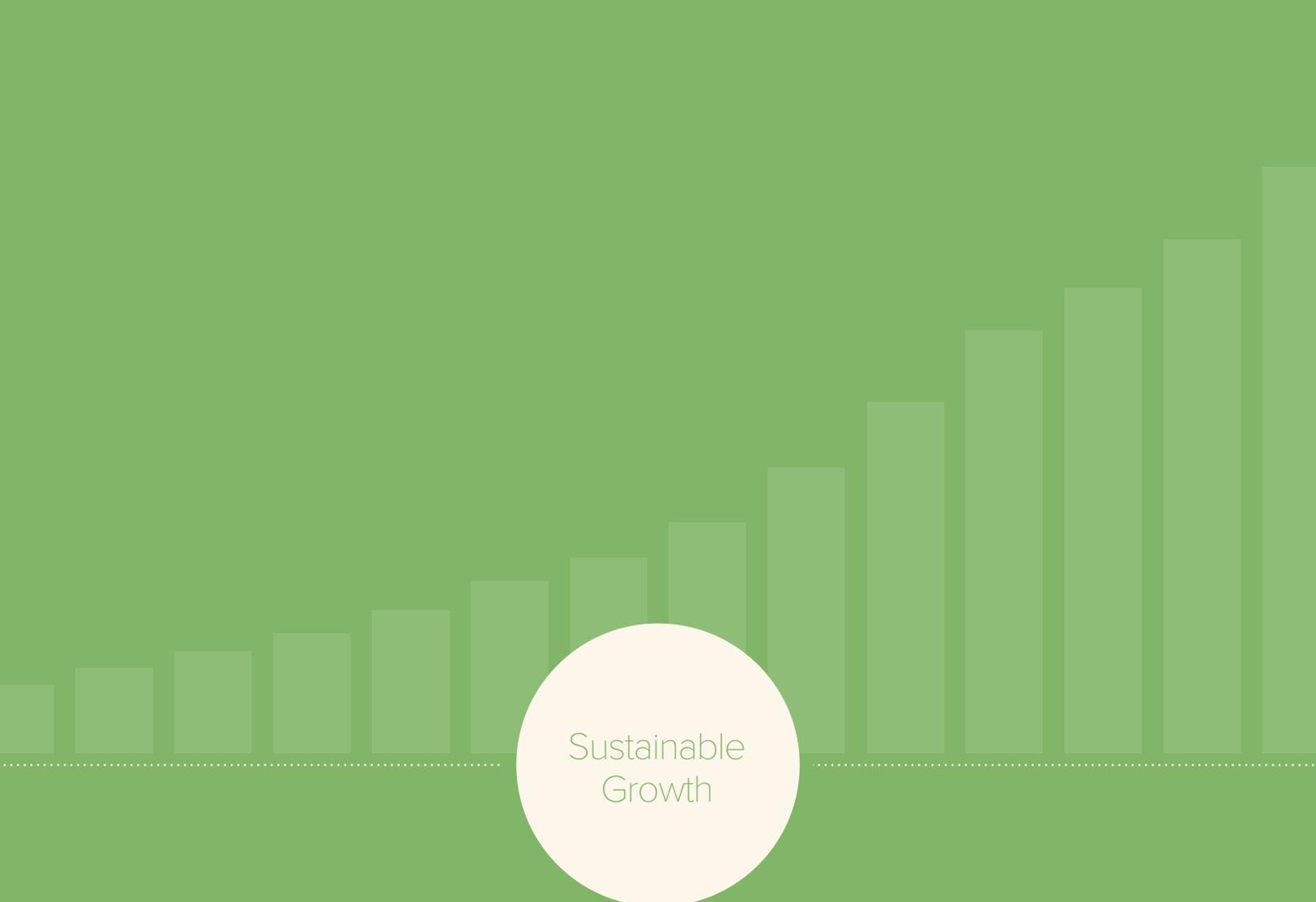
A best practice is an approach to a problem that's proven to be the most effective solution over time. However, that best practice (or tool) needs to be customized and refined to work effectively in your specific business. By fine-tuning it for your business, you guarantee its use in your daily operations, rather than getting filed away in a drawer.

Remember that searching for a best practice or tool to address your pressing issues will not solve the underlying problem. If you abdicate ownership, a best practice is only window dressing. Don't forget the journey - for more on this, see the "Application" section.

WORK IN PROGRESS

We found the Ownership Stack was adopted to varying degrees, with less than 10% of our survey respondents employing all nine tools, showing we all have room to improve.

Want to know where to start your journey? We ran the numbers and have a scenario-based 'application guide' at the end of this report, so you can get started now.



Sustainable
Growth

“The key to success is to always identify which customers are the true drivers of the purchase decision.”

Eyo Bassey, Rom-Flex Networks
I.T. Services, 103 Full-Time Employees
Abuja, Nigeria

Sustainable Growth

A profitable and growing company

Let's return to what business owners said they want above all else: growth. Growth is affected by many variables, including your industry, the economy in your region, and competition, but clear guidelines emerged about how a business can create the foundation for profitable and sustainable growth.

MARKETING = STRATEGY + TACTICS

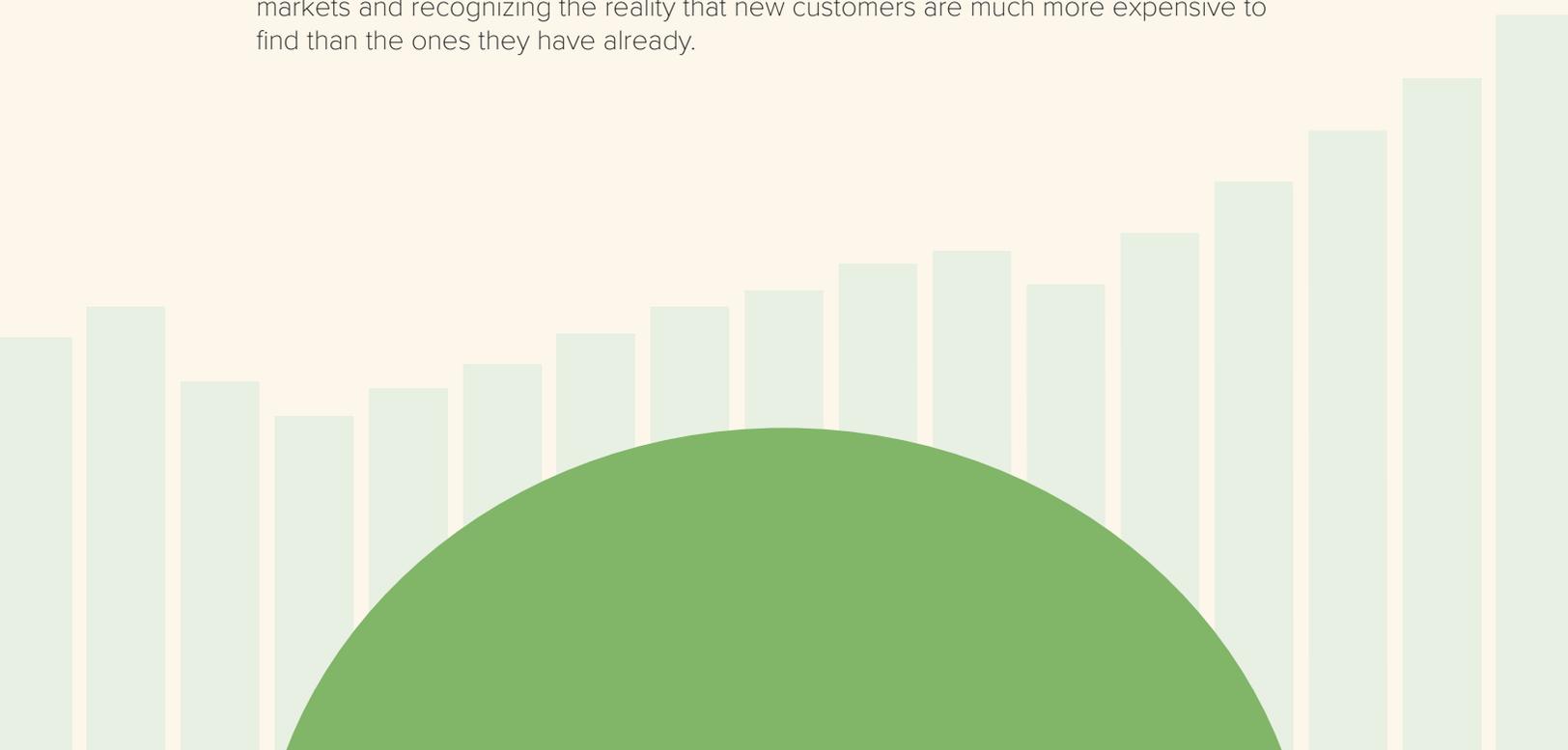
Business owners with a marketing plan grew faster across the board. However, businesses actually grew relatively slower, even if they had a marketing plan, if they relied on reactive, tactical marketing that wasn't tied to larger goals. In short, we saw real value in resisting the temptation to resort to "quick fix" marketing and instead remain focused on the long term objective.

EFFECTIVE ONLINE PROSPECTING

Not surprisingly, business owners told us that the internet was at the forefront of trends changing their industries, and that adopting and adapting to new online marketing techniques was critical to highly effective lead generation. Owners are getting better at managing the speed of technology change and making it work to their advantage.

VALUE THE CUSTOMERS YOU HAVE, AND...

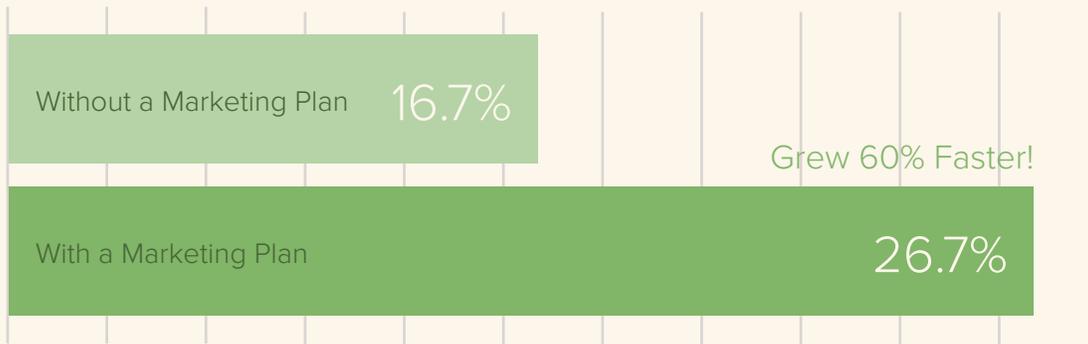
Successful owners realized profits and growth came from a strong understanding of their ideal customer type, coupled with regular and systematized efforts to market and sell to their existing customers. Owners walk the delicate line between going after new markets and recognizing the reality that new customers are much more expensive to find than the ones they have already.



Marketing = Strategy + Tactics

Sustainable growth comes from
aligning tactics with strategy

GROWTH FOR BUSINESSES THAT MONITOR THEIR BRAND ONLINE



THE SOURCE OF UNCOMMON RESULTS

Companies with a clear marketing plan grew 10% faster than those without. The real magic came when the marketing plan was combined with regular measurement efforts, such as measuring the effectiveness of campaigns and monitoring brand awareness, which led to 60% faster growth. Owners who plan and *do* are uncommon and highly effective in growing a business.

Interestingly, a business that monitored their brand but did not have a marketing plan grew more slowly than the average company in our dataset, most likely indicating a reactive approach without larger goals to guide efforts. Clear branding is just the beginning: a strategic, cohesive plan of marketing action is where the rubber meets the road.

THE SEARCH FOR A SILVER BULLET

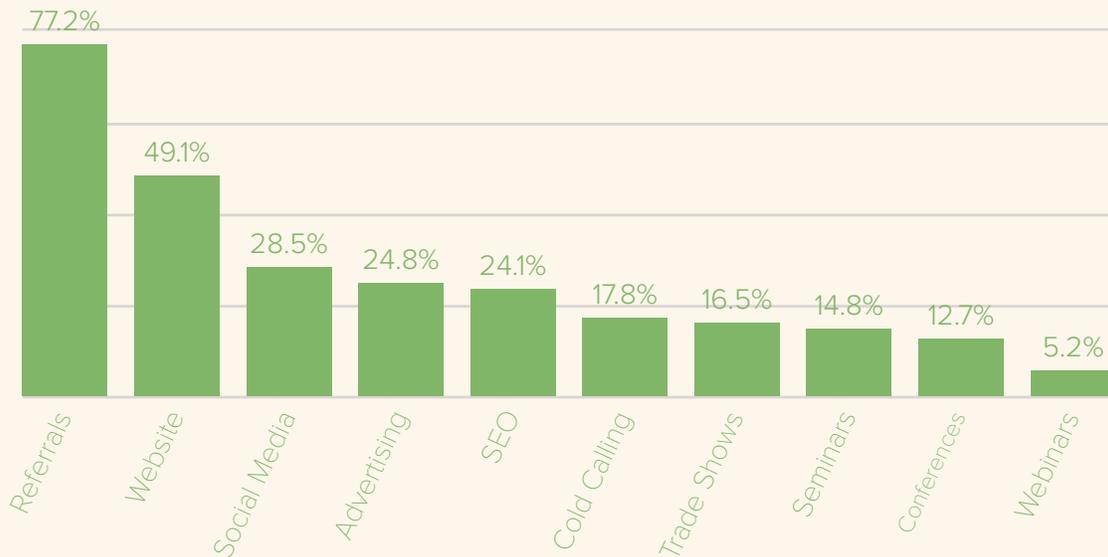
Business owners often get stuck looking for silver bullets (a simple and seemingly magical solution to a complicated problem). Our research confirmed what we all know intuitively — they don't exist.

No individual marketing techniques (cold calling, social media, SEO, trade shows, etc.) have any lasting correlation with revenue growth. In an efficient marketplace, *no individual technique provides a sustainable advantage*.

Effective Online Prospecting

The digital revolution is reaching every kind of business

WHAT MARKETING TECHNIQUES ARE HIGHLY EFFECTIVE IN YOUR BUSINESS?



THE TREND NO ONE CAN AFFORD TO IGNORE

When we asked business owners about the biggest trend affecting their industry over the next three years, they overwhelmingly cited technology and the internet as key factors they can influence.

WHERE SMALL AND MIDSIZE BUSINESSES ARE FINDING SUCCESS

Our report once again highlighted the importance of digital marketing techniques in the business owner's toolkit for marketing. After referrals, the most effective marketing tool was the company website, listed as being "highly effective" at generating leads by nearly 50% of business owners. Rounding out the top five were two other digital marketing tools: Search Engine Optimization (SEO) and social media. Now, more than ever, your website needs to be the hub of your marketing efforts.

Value the Customers You Have, and...

The most effective tools for creating revenue growth
and profitability now are customer-facing

MARKETING & SALES EFFORTS TO CURRENT CUSTOMERS PAY DIVIDENDS

Businesses often think marketing is just about finding new customers, but focused efforts to grow relationships with existing customers had a significant effect on revenue growth and profitability.

42%

greater likelihood of
hitting profit targets

79%

higher growth rate
(B2B companies)

GET TO KNOW YOUR IDEAL CUSTOMER AND WIN

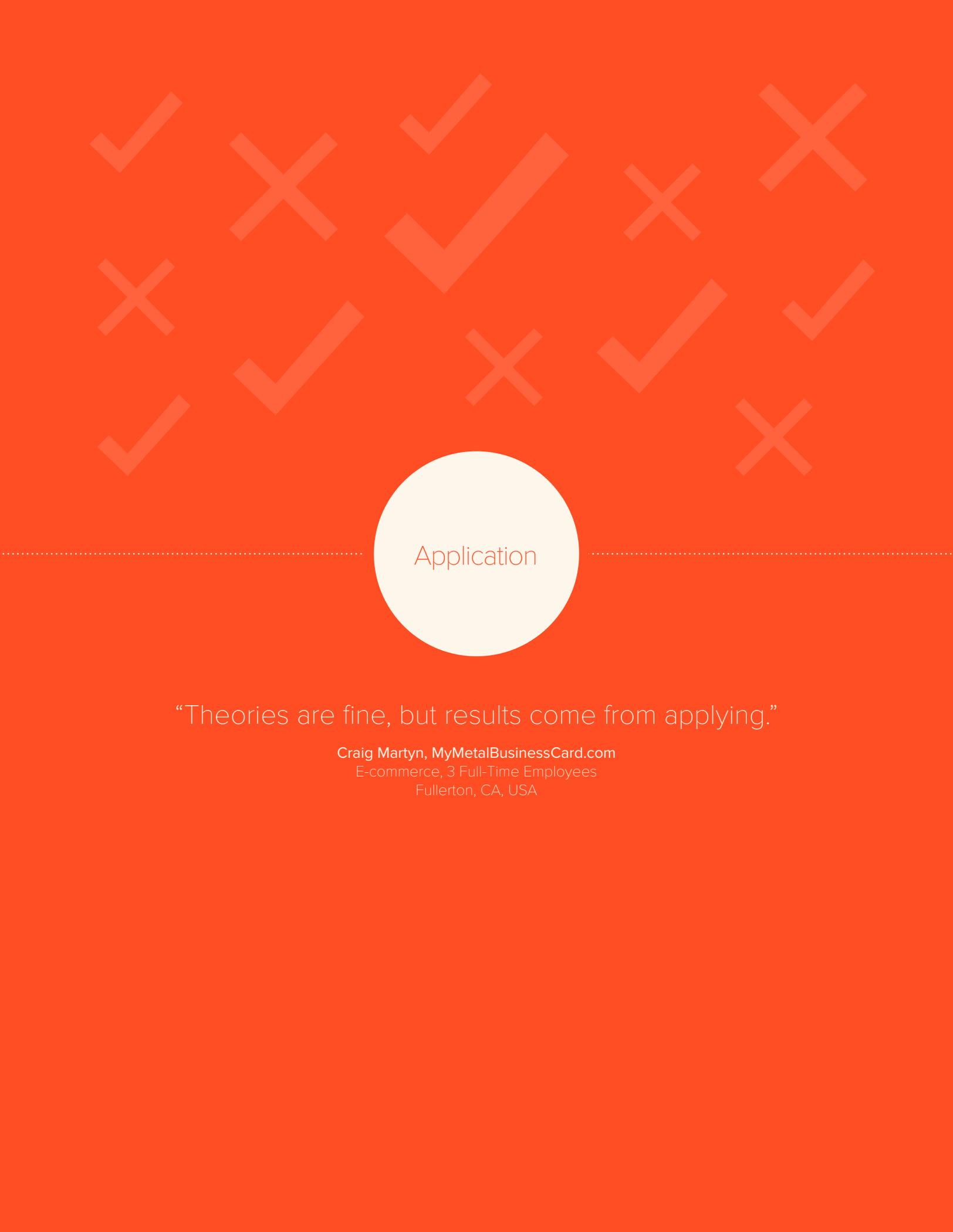
You can't hit a target with a blindfold on. The effort to research and define the ideal customer that aligns with your business model and vision was one of the strongest correlations we saw with revenue growth and profitability.

25%

greater likelihood of
hitting profit targets

46%

higher growth rate
(B2C companies)



Application

“Theories are fine, but results come from applying.”

Craig Martyn, MyMetalBusinessCard.com
E-commerce, 3 Full-Time Employees
Fullerton, CA, USA

Application

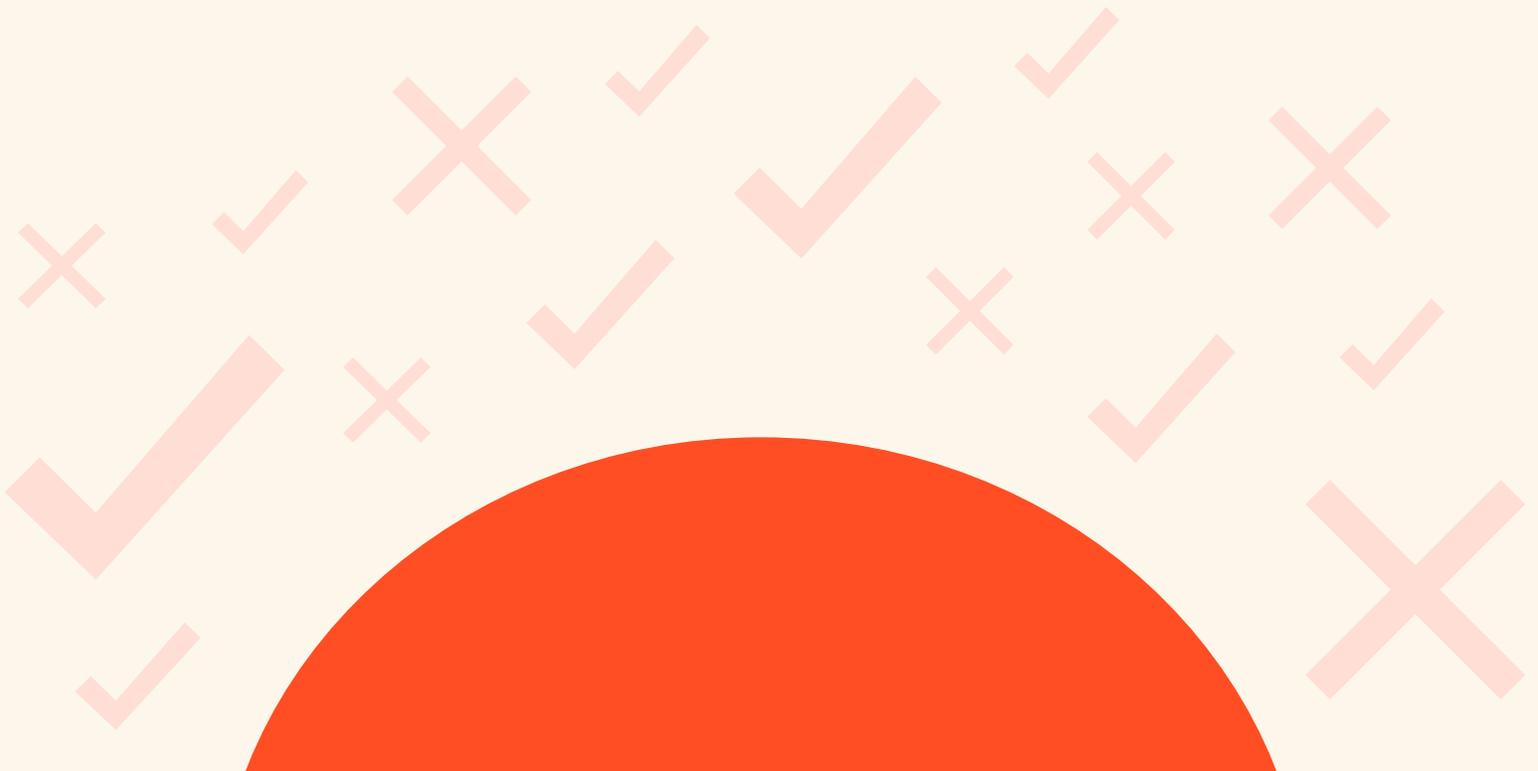
Our goal with SOBO is to give you actionable information that you can apply based on where your business is today

A GUIDE TO THE 2013 RESULTS

We understand that business knowledge isn't one-size-fits-all. While some owners are laser-focused on profitability, others are at a stage where they're more focused on reaching more personal goals. We've broken out the results to show you how to approach the data from wherever you are today.

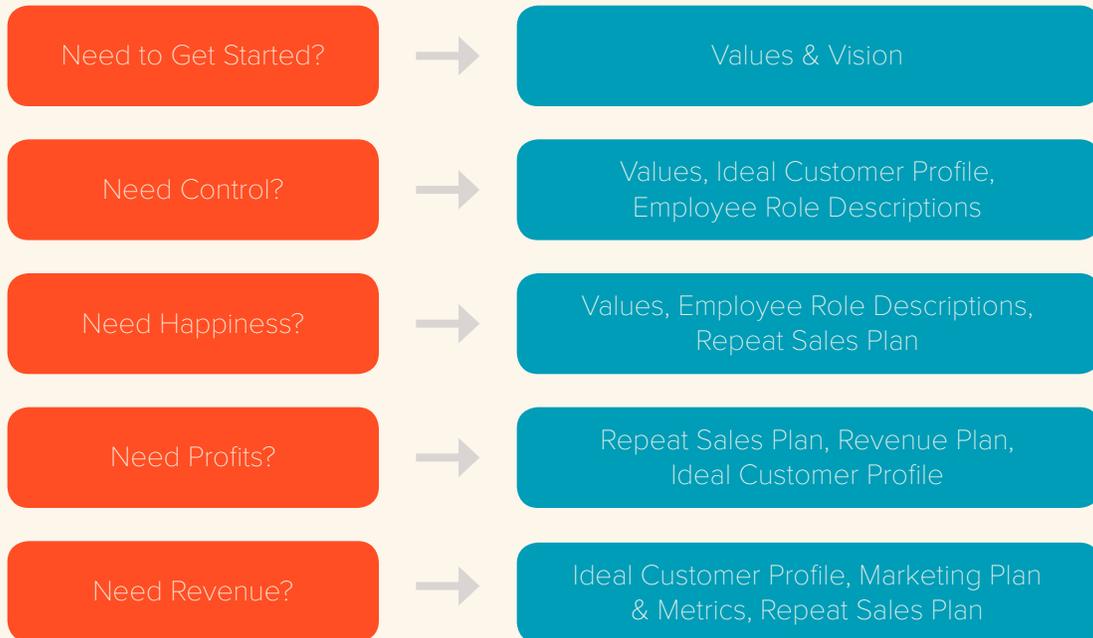
NEXT STEPS

We created the SOBO project to provide you with data you can use, and we also know the value of having a trusted advisor to help you put that business intelligence to work for you. Whether you're interested in business coaching or targeted marketing support, we can help.



A Guide to the 2013 Results

Get the Ownership Stack working for you
based on where you are today



INDIVIDUAL TOOLS IN THE RIGHT ORDER

The Ownership Stack covers a wide spectrum of activities across your business; focus on the tools that best suit your situation. Depending on how much time you have, you might spend six months building and customizing the three tools that best fit your situation before moving on. The path from good to great starts here.

NOT SURE WHERE TO START?

For a lot of owners with little time to spare, trying to figure out where to start on the Ownership Stack can be daunting or confusing. This is a great topic to pick up with a business coach or another consultant you work with. Often an outside perspective can be just the push you need to figure out the right plan.

Next Steps

Three ways to build your Ownership Stack

1

WORK WITH AN EMyth CERTIFIED BUSINESS COACH

There's no substitute for having a trusted advisor to help you grow your business. Our certified coaches are the best trained in the industry, and can custom tailor a program to meet your needs.

[Learn about EMyth Coaching](#)

2

GO STEP-BY-STEP USING THE EMyth PLATFORM

Take your business through the core EMyth lessons. Create your vision and strategy documents, your cash and marketing plans, and get help from EMyth Certified Business Coaches at any time.

[Learn about The EMyth Platform](#)

3

WORK WITH PIXELSPOKE TO HARNESS THE POWER OF DIGITAL MARKETING

Use the latest in digital marketing to create an advantage over your competitors. State of the Business Owner has proven increased profits for companies who clarify their marketing strategy and effectively use their website as the hub of their marketing efforts.

[Learn about PixelSpoke's services](#)

Over 1700

business owners participated in the

study • Owner compensation ranged between

\$1K-2.5M • Average gross annual revenue

\$4.6M • Combined revenues of all participating businesses

exceeded \$4.2B • Participating businesses employed over

8,000 full-time workers in 2012 • The median growth rate for 2012

was 12.5%, and the expected growth in 2013 is 20% • 65%

of participants have owned or founded at least one company previously • The

oldest participant was 83, the youngest was 20, and the median age

was 47 • Business owners from 83 different countries participated.

87% of the survey respondents were from six English-speaking

countries: United States, Canada, United Kingdom, New Zealand,

Australia and South Africa • The median business had

been around for 10 years

All currency figures are in US dollars



www.stateoftheowner.com