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From Startup to Successful Business

How to Increase Your Chances of Survival

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What are the odds that your startup business will last? According to an article in Statistic Brain in 2016, 25% of startups fail in the first year and 71% fail by the 10th year. The No. 1 reason startups fail is that their products are not marketable. Even when a product is marketable, another major reason startups fail is that the normal business functions, such as finance, accounting and human resources, are poorly managed.

You may have identified and created a great new product or service, but how can you increase your odds of surviving?

Now in its 17th year, ThrottleNet has faced and handled business challenges to not only survive but also thrive. The company started as a website and software development company in 1999 and has grown to become the No. 1 IT services provider in 2016, according to *St. Louis Small Business Monthly*. Over those 17 years, the company survived the economic downturn after 9/11, purchased a computer networking business, added new business partners and dealt with the impact of a major embezzlement. To meet those challenges, the owners learned they needed to change their business policies and culture.

George Rosenthal, one of the founders and president of ThrottleNet, says: "In 2010, we discovered that even though our business was booming, we were almost three-quarters of a million dollars in debt. We had to react quickly to save our company. We significantly reduced our workforce and made drastic changes in our business practices."

The company made many changes to improve cash flow. Instead of purchasing equipment and allowing customers to pay 45 days later, it required customers to pay for the equipment up front. The company also simplified its credit card processing for customer payments, thereby reducing the fees paid to credit card companies. Making all this work required honest conversations with vendors and employees about ThrottleNet's predicament.

The owners made further changes in the following areas:

- Ownership structure and accountability. This required the owners to become managers in all aspects of the business, not just in their areas of expertise.
- Workforce practices. They instituted open-book management and profit sharing. Not only were the owners expected to be fiduciaries of the business, but so were the employees. They put measurable metrics in place and rewarded the team when these metrics were met. The company also instituted remote working

for team members who met their metrics.

- Product and pricing. They reorganized all product offerings and reduced the number of products offered. They also simplified the pricing structure and eliminated customer contracts.
- Outsourcing. They identified business functions that were outside their core business focus and outsourced them. These included corporate website maintenance, human resources, marketing and accounting.

These practices helped the company regain control, get rid of its debt and grow. Restructuring the product offering and changing the pricing structure helped the sales team members talk more easily about the products they offered. Through outsourcing, the company was able to focus on what it did best. Most important, gaining control did not mean micromanaging. Rosenthal explains: "With metrics, measurements and profit sharing in place, we realized that not only did the team manage themselves but they did not need ownership present on a continuous basis to succeed. We then implemented a 'work anywhere' environment for a large portion of the team."

Many small businesses, while different, face like challenges. Successful companies have a product that people want to buy. The owners are involved in the financial and operational management of their company. They outsource services when there is no one in house with the expertise. They recognize that employees are key to making a business run smoothly. Last, they know that honesty counts.

Join us at our next Sharp & On Point Speaker Series event on Tuesday, Feb. 21, from 7:30 to 9 a.m. at the Lodge Des Peres as George Rosenthal, president of ThrottleNet Inc., shares his story of how the business has evolved from an idea to a successful IT company. He will talk about the key practices his company adopted that he credits with the turnaround of ThrottleNet. To reserve your seat or for more information, visit www.LopataFlegel.com.



Laurie Griffith is a principal at Lopata, Flegel & Co. Accountants and Management Consultants. The Sharp & On Point Business Advisory Speaker Series is a free event at the Lodge Des Peres sponsored by Lopata. Learn business strategies you can immediately put in place to point your business in the right direction. For more information, visit www.SharpAndOnPoint.com.