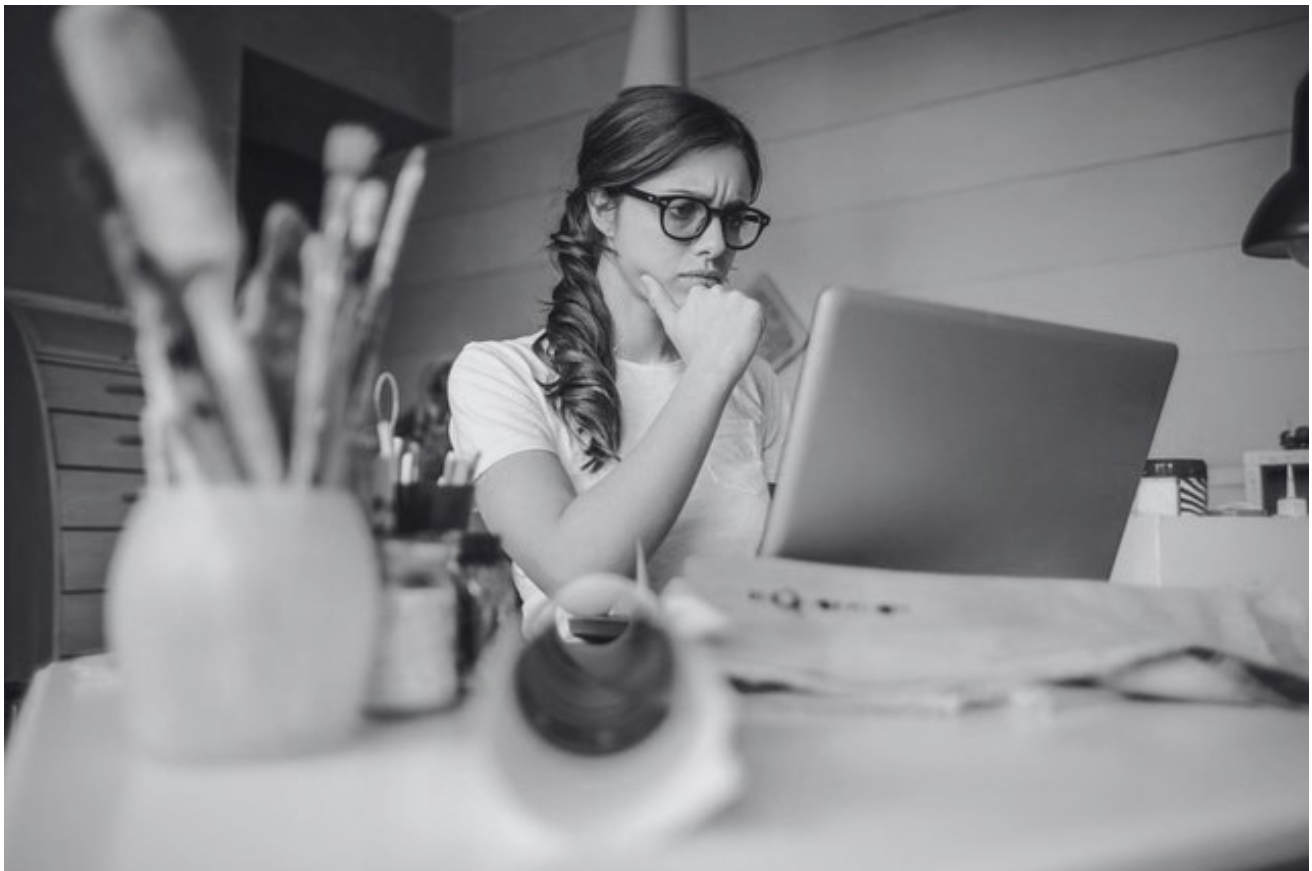




HOW TO DEVELOP A STRESS TEST FOR YOUR BUSINESS MODEL

Despite what the name might suggest, a stress test doesn't have to come with anxiety. Rather, it can help you identify your strengths and weaknesses before they come with huge consequences.



WHAT SHOULD A STRESS TEST DO?

A stress test is designed to test the limitations of your existing systems. They apply sudden, extreme pressure to your model to reveal its strengths and weaknesses. Stress tests are theoretical. By asking the right questions and considering tough potential scenarios, you can get a clearer picture of where you are and where you need to be.

6 CRUCIAL QUESTIONS FOR TESTING YOUR BUSINESS MODEL

WHAT PERFORMANCE VARIABLES ARE YOU TRACKING?

Modern businesses are big fans of performance reviews. Unfortunately, many of these reviews are comprehensive in the sense that they include as many variables as possible. The idea is to be well-rounded and complete, but measuring unhelpful and irrelevant metrics is...well, unhelpful and irrelevant!

The more variables you track, the less capacity you have to focus on the ones that make or break your business and the more constricting the model becomes. So what's most important to your business? Convenience? Client satisfaction? Revenue generation?

WHAT IS YOUR DEFINITION OF SUCCESS?

You won't know what variables to track if you don't know what success looks like. Success is not something you know when you see it and it cannot be based on what someone else is doing. You can't effectively test your business model if you don't have clarity on purpose, end goals, and measures of success.



CAN I ANSWER THESE KEY QUESTIONS

Who, what, how, why.

It's not just for journalism. You need to know it for the sake of your business! Who is your customer? What does your business propose to do and how does it add value to your customer? How can I make my business a reality? And why will customers pay for what I have to offer? Why are my expenses necessary? There are variations on these questions worth answering, but ultimately, they must be answered!

WHAT DOES THE FUTURE OF MY INDUSTRY LOOK LIKE?

Entire industries are being revolutionized by modern technology. Twenty years ago, we wouldn't have imagined that today's common tools and techniques were possible! In some ways, this is making businesses more impactful as they can increase both their reach and efficiency. With that said, change hasn't always been good for business. So many industries are struggling – if they haven't downright disappeared – because of modern innovations.

Blockbuster was replaced by Netflix. The VHS was replaced by DVDs, then DVDs were replaced by streaming. It's not just individual jobs that may be rendered obsolete through AI and automation, but entire industries may disappear.

So start future-proofing. Where is your industry headed and what justifies its existence? Is your model forward-thinking...or stuck in the past?

AM I ENCOURAGING PERSONAL AND PROFESSIONAL GROWTH?

Your stress test isn't just about crunching numbers. Part of what makes a business last is how you prioritize employee growth and satisfaction. Some business owners are so afraid of their team members excelling – and thus, moving on to greener pastures – that they withhold opportunities for growth. This can cause skill stagnation, a lack of innovation, and a generally dissatisfied team. Does your company culture encourage employees to be the best person and professional they can be? Or is it holding them back?

HOW DO I KNOW IT'S THE RIGHT TIME TO SCALE AND EXPAND?

Businesses collapse beneath their own weight if they don't have the structure to support it. As with investing, be wary of scaling too much too quickly. Run the numbers to ensure that your business model (and your income) can handle payroll additions, increased inventory, and a larger workload. Failing to do so can create financial problems and unnecessary or redundant roles and systems.

Because your current model might not be scalable, you'll have to troubleshoot to create one that works with anticipated long-term growth.

Of course, this means you need a clear direction and purpose for your business so that you know beforehand what positions you want filled, what skillsets you want to pursue, and what products and services you want to offer.