

How To Know When It's Time To Grow

Taking your business to the next level. Or not.

By Steve Fales and Alan Williamson

Welcome To Your Growth Years . . . Already In Progress.

"Change is inevitable, growth is intentional."

– Glenda Cloud

Whatever business you're in, whatever time, energy and money you've invested, one thing is certain: One day you will find yourself at a crossroads wondering which way to go. Or if you should go any further at all.

The reality is, if you own a business for long you will face several – perhaps many – critical points along your journey when you feel the need to stop, take stock, and decide what your next step will be. Like the voice on the GPS says when the route becomes unclear, it's time for "recalculating."

Whether a barber shop with two chairs and one employee, a restaurant with 30 tables and a staff of 15, or a consulting firm with 300 people in six offices, there are underlying forces driving the evolution of your business that make change, conflict and the need for thoughtful evaluation inevitable.

These forces, and the stages of business growth that accompany them, will prompt you to define who you are, clarify what you want, and determine where you're going.

Growth Stage # 1: Dabbling For Dollars.

"You will either step forward into growth or you will step back into safety."

– Abraham Maslow

All business owners have their back stories – their own, personal, autobiographical chronicles of how they started out.

Many begin as moonlighters, performing a service they're good at in their spare time for extra cash. Moonlighters come from all walks of life and professions. There's the teacher who paints houses in the summer, the insurance agent who builds furniture in his home workshop, and the auto mechanic who does car repairs on the side.

Regardless of influences, interests or circumstances, each share a no-strings-attached experience of relatively simple business relationships, loose commitments, and the thrill of making money (often tax-free). The moonlighter typically handles every aspect of the venture personally, from initial customer contact, to providing the product or service, billing for it and collecting the payment. Projects come from friends, relatives, and word of mouth referrals.

For some, this is enough. Game over. Thank you for playing Dabbling for Dollars. But for others, this beginning/flying under the radar phase is just a prelude to the first leap of faith with something tangible at stake: venturing into the world of the sole proprietor.

Now the plot really thickens.

Growth Stage # 2: Sole Proprietor, At Your Service.

“Be careful what you wish for, for you may get it.”
– Anonymous

When the moonlighter takes the operation full time, he or she becomes a sole proprietor. This decision is usually not made lightly. Fear of the unknown vies with the lure of greater freedom, job fulfillment and earning potential.

Whether the jump is triggered by unhappiness with an employment situation and/or a rapidly growing moonlighting effort, the essential challenge is the same: Selling oneself to enough people to make a living without becoming overextended.

In the beginning of this adventure, all work is still done by the sole proprietor, who must juggle the duties of customer acquisition, client service, marketing, bookkeeping, invoicing and the myriad details that come with ownership. At this stage, the sole proprietor's income is driven primarily by friends, acquaintances and word of mouth referrals. Eventually the owner may invest in some basic advertising, hoping to expand.

As the customer base grows, the sole proprietor often seeks support in order to keep pace while maintaining the basic loner structure. He or she may turn to a spouse, relative or friend to handle calls, process paperwork and perform administrative duties. Other attempts to sustain sole proprietor status may include renting office space and hiring one or more people to pitch in with the actual work.

Once the need to serve increased clientele triggers these kinds of modifications, the pressure to make another definitive leap becomes intense. Sometimes happily, sometimes painfully, a successful sole proprietor reaches a point where the lone wolf structure must morph into something bigger and less individualistic.

Growth Stage # 3: The Birth Of The Business.

“Whenever you see a successful business, someone once made a courageous decision.”
– Peter F. Drucker

When a company becomes too large for its owner to handle alone, two things can happen. After much soul searching, a decision can be made to cut back, forgo the temptation to expand, and instead maintain a limited level of activity and profit. For some, this is the right decision.

The other option is to embrace the growth and ramp up the staff, facilities and resources required to maximize it. Like a comic book hero seizing the call of destiny, the transformation is dramatic. It's that fateful moment when the mild mannered sole proprietor steps out of the shadows and becomes the powerful, multi-faceted entity known as . . . The Business.

When the sole proprietor decides to build on past success and expand to become “The Business,” he reinvents himself. Where once he thought and worked independently, he now thinks and works corporately. At this point the enterprise even *looks* like the part, most often occupying a building or buildings where employees work according to the owner's plans and procedures to provide certain products or services.

The impact of this stage in the growth progression is significant. The man or woman who began the professional journey performing some function or service independently must now shift the focus to other things. Hiring, training and supervising employees, bringing in new customers,

maintaining inventory, generating cash flow – including enough gross margin to pay overhead. The list of management tasks goes on and on.

In The Business, a certain management mentality prevails. Typically all employees will report directly to the owner, who will also do the hiring and firing. The owner will maintain final authority to approve or veto most or all decisions. Sensitive details of the business will almost always be kept close to the owner's vest, and not shared with employees.

Because of all the duties and functions on the owner's plate, certain limitations apply within this structure. Taking on a partner, midstream or from startup, can push the ceiling higher, but even two or three people eventually reach their capacities. Still, The Business can and often does allow for a company to reach a very significant size and profitability.

But we're not done yet. There's one stop left on the company evolution express.

Growth Stage # 4: Organizational Aims.

*"High expectations are the key to everything."
– Sam Walton*

Taken to its ultimate level of growth and complexity, "The Business" can become "The Organization." In this multi-tiered structure, the original owner's dominant role is decentralized by strategies, policies and management layers that represent the company's culture and mission and guide everyday operations. Such an enterprise can exist and function quite well in the absence of the owner if need be.

Owners with great capacity and energy, who may have previously been able to lead every company area personally, will find that they must now undergo yet another evolution of mindset. During this game-changing transition, the owner must make an unflinching assessment of his or her areas of strength and weakness. The goal is to increasingly function where he or she is strong, and offset the weaker areas by recruiting staff who possess talents or competencies the owner lacks.

An organizational chart, job descriptions, and a clear chain of command must be developed so that everyone understands his or her position, responsibilities and authority. There will be logical departments, each with a department head. The owner will often take on a title such as President or CEO, and cease to be called "the owner." Depending on the size of the organization, there may be a senior management level as well as middle managers, in order to limit the President / CEO's direct reports to a number over which he or she can be effective.

Transformation to the status of The Organization is often the toughest step of all. That's because here the original company founder must make an extremely difficult adjustment – letting go. This requires a huge change within his or her personal perception and identity. The founder, and all senior management, must set the highest example of following the protocol of the organization. Nothing erodes an organizational model faster than leaders who bend the rules or usurp decision-making power from those who've been entrusted to fulfill certain responsibilities. The alternatives are diminishing focus and performance as people feel undermined and demotivated.

The Organization is the pinnacle of business progression. As the enterprise grows bigger, the structure expands. Ownership itself can be revisited to include key staff members and/or outside shareholders. It is no longer necessary – and it may not even be prudent – for the

original founder to have the top role. A Board Of Directors may be formed to make the highest level strategic decisions. Company information, sales figures, and profit numbers are made available to some or all employees. Many types of simple and complex configurations exist.

Know Thy Company, Know Thy Self

*“There will come a time when you believe everything is finished.
That will be the beginning.”
– Louis L’Amour*

Company structure. It’s the moonlighter and sole proprietor setting a solitary pace and profiting from the fruits of personal labor. It’s the head of a business or the leader of an organization passing the torch to a team empowered to carry the vision.

For some, the motivation is to keep it simple, make a decent income, and capitalize on a skill that brings satisfaction. For others, it’s the pride and challenge of growing a venture that creates substantial opportunities for themselves and their people. Then there are those bent on making their mark and leaving a legacy.

Regardless, whenever the point is reached where something must change in order to accommodate growth, there’s tension. This conflict must be resolved by a conscious, intentional decision to go forward, stay the same, or go back. And if the enterprise embarks upon a new stage in the process, a whole new set of goals, projects, tasks and risks kick in.

There are no right or wrong choices. There’s just an open-eyed examination of what’s waiting at different plateaus in the business progression continuum and the self-awareness to say “This is who I am. This is *my* professional journey.”

This article was co-written by Steve Fales and Alan Williamson, for use on various blogs, distribution to friends and associates via email, etc.

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