



BUSINESS OWNER'S PERSPECTIVES

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GROWING PAINS:

Where Is Your Company in Its Growth Lifecycle?

Grow or die. That's the mantra of many business owners. But the truth is, growth itself can kill a business if it isn't properly planned and executed. How much growth is good? In which direction? At what pace?

Business growth consultant Bob Beale of Beale International describes a business lifecycle framework that's helpful in understanding and addressing the issues surrounding a company's growth, from start-up through expansion and maturity. Knowing where your business lies on this continuum allows you to plan and prepare your business, financing and personnel for growth.

One thing to keep in mind is that business growth generally involves some discomfort. In fact, a crisis often precedes growth. Whether it's a meltdown involving people, equipment or money, something — or some structure — that was working just fine before doesn't work any more. Addressing a crisis can fuel growth and change.

Following are descriptions of three common stages of growth. Where does your business fit in?

Start-Up = Survival

The start-up phase of a business is characterized by all things entrepreneurial — developing products and services, finding customers, and establishing infrastructure and systems. Naturally, the focus during this phase is on creating a viable entity and making enough money to cover expenses and hopefully earn a profit.

Start-up companies tend to share some common characteristics. For example, they are often more focused on customer versus employee needs. The owners and employees typically work long hours for relatively low pay, and the founders are hands-on in the business, often selling and

producing the products or delivering the services themselves. Good management, employee training and strategic planning often are not priorities.

As time goes on and the business becomes more established, it's not unusual for something to "break." Perhaps there's too much work to be done and customer service suffers. Maybe it's time to expand into a new line of business or a different market, but there's no cash available to finance the next step. Or perhaps the founder's skills and talents have reached their limits and the business requires a new and different management approach.

Beale believes that for most businesses in the start-up phase, the growth crisis often comes down to cash flow, leadership and management. The company either figures out how to solve these problems with financing, new systems and new hires, or it becomes what Beale describes as a "permanently small business" (see sidebar on page 3).

Expansion = Specialization

If a company survives past the start-up phase, expansion is usually the focus of the next phase. This stage is often characterized by multiple locations, more specialized employees and more attention to areas such as personnel, inventory management, sales, marketing and systems support.

At this point, the company typically has grown beyond the founder and his or her family, so it often feels a bit more "corporate" and impersonal. Because some systems are now in place to support growth, the pace of change is fast and constant.

One of the typical problems in this phase is the CEO's difficulty in delegating. When this happens, key employees often become frustrated and leave.

Lifecycle, cont.

In addition, because things are moving so fast, significant issues may arise regarding cash flow. And because things seem to be going pretty well, the entrepreneurial founders sometimes itch to expand into unrelated businesses, which can be troublesome if it's not well thought-out.

One common growth crisis at this stage revolves around the management team. Managers want to be able to make their own decisions, but they either aren't allowed to or they are so technically oriented that they aren't really qualified to make them. Reporting, facilities and controls often suffer because of this ineffective decision-making process.

If the company is able to address these problems, it may continue to grow and thrive. If not, it will likely stagnate and may eventually wither and die.

Professionalism = Profitability

According to Beale, by the time a company reaches the third phase of growth, its niche is well defined, an efficient management team is in place and it has an identity beyond the founders and current managers. Growth is moderate and manageable, cash flow is good and profitability is strong.

But while the business has grown, so has the magnitude of its potential problems. For example, outside factors such as government regulation or unions may become more prominent. And the company may not react to change or new opportunities as quickly as it did when it was smaller and more nimble. Internally, bureaucracy and politics can stymie progress.

The crisis now typically involves senior (usually older) and middle (usually younger) management. Communication breakdowns are common, and younger managers are often pushing for more or faster growth than the company can handle. Problems with aging, outdated systems may also emerge.

It's no surprise that good planning is crucial at this stage. Comprehensive strategic planning can

help support growth and change in established companies. Focused strategic and operational plans facilitate decision-making and help keep even the most entrepreneurial owners and executives on the right track.

Now What?

Having seen the big picture, most owners can easily pinpoint where they are in their company's growth lifecycle. Armed with this knowledge, owners can be proactive in addressing - and even preempting - the crises they may face. Here are three hands-on tips for doing so:

- 1) **Recognize growth pains.** Acknowledging a problem is the first step to fixing it. If you can't see the solution yourself, ask for help from a trusted advisor. Other companies have experienced similar issues and solutions do exist.
- 2) **Take action.** Once you've acknowledged problems, you must deal with them. Yes, some of the issues are deep and the solutions may be difficult, but positive change always requires hard work.
- 3) **Be prepared.** Just when you think you've finessed yourself into a safety zone of smooth operations, the next growth phase may be right around the corner. Growing companies need more and different resources, and often these resources cost money. Be prepared to make less and spend more for a period of time.

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Lifecycle, cont

Most importantly, though, remember that you are not alone. Your team of trusted advisors knows the ins and outs of your company and has seen many others experience the same growing pains. Your CPA, in particular, can help you plot a course for success.

Ready to grow? Let's talk about how we can help you responsibly and successfully manage your company's growth lifecycle.

Permanently Small?

There's nothing wrong with being a permanently small business. Many of these types of businesses are profitable and well run. They hum along and provide a relatively predictable income, but they aren't ever going to grow much beyond the rate of inflation.

If that's where you are comfortable and want your business to stay, so be it. But be sure you plan for your eventual retirement with this in mind.

WORD TO THE WISE: Why Creativity Counts

They said creativity. The CEOs believed that the way to overcome challenges and manage their companies in a highly volatile, increasingly complex business environment was by instilling creativity throughout the organization.

The Power of Creativity

For some business executives, fostering creativity is second nature. In certain fields like fashion, advertising and design, creativity pays the bills. Hiring the right "creatives" keeps the business fresh, innovative and on the leading edge.

In other fields, though, creativity has historically been undervalued, and sometimes even denigrated. In industries requiring traditional "left brain" thinking - accounting being one of them - creativity was for many years regarded as imprecise and subjective.

That thinking has changed, though, and many of these business owners now recognize the power of creativity and its role in innovation. But how can you foster creativity if your business is not obviously "creative"?

First, you must define creativity not as the ability to sketch or write well, but rather as the ability to see things from a different perspective - to recognize

novel ideas and alternatives that bring value to the problem at hand. When you consider the outcome of creative thinking - from the airplane to the iPhone - it's obvious that creative ideas can change the world.

Here are some ways to encourage more creativity among your employees and throughout your business:

- **Provide time to think.** Downtime is a rare commodity, but it's essential to the creative process. Just think about the number of good ideas that come to you in the shower or while driving! Some companies even provide "inspiration" days for employees to spend in a place or setting that inspires them.
- **Change the game.** Have people work on a problem or in a setting that's new to them. You often get a fresh perspective when you remove the "same old" approaches and scenery.
- **Mix it up.** When you put together teams, gather a range of people from different departments with different strengths and ways of thinking. Mixing right brain and left brain thinkers will help spark novel and new ideas.

Creativity, cont.

- **Encourage idea generation.** You've no doubt heard the phrase, "There are no bad ideas." But this really isn't true at all. Of course there are bad ideas, but getting them down on paper is sometimes exactly what's required when brainstorming. The worst ideas often provide a jumping-off point for the best ones.
- **Add a new voice.** Bringing in an outsider changes group dynamics. With a new player in the room, old habits and communication patterns fall away, opening the door for new ones.
- **Encourage criticism.** There's no need to tear apart someone's idea, but healthy skepticism and "what if?" thinking can lead to idea improvement. Rather than stifling creativity, constructive criticism can actually make ideas better.

Ready to get the creative juices flowing in your workplace? Encouraging your employees and teams to look at things differently might provide the big idea you need to transform your company - or even change the world!

Share your ideas and challenges with us. We'd be happy to add our creative thinking to yours.

Recently, IBM's Institute for Business Value surveyed more than 1,500 CEOs from 60 countries and 33 industries to gain insight into the challenges facing global industry leaders. Asked which quality was most crucial to successfully navigating an increasingly complex world, the leaders didn't say management, discipline, vision, rigor or integrity.

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Add Some Meat to Your Mission Statement

You've probably heard the phrase, "If you don't know where you're going, any road will take you there." A mission statement is designed to address this lack of direction by adding focus, purpose and definition to the daily work of your company.

Your mission statement should be vibrant and inspiring. It should reflect your company's unique essence, competencies or culture and serve as a "rallying cry" for employees and other stakeholders.

Nike's mission is to "bring innovation and inspiration to every athlete in the world." The Coca-Cola Company's mission is "to refresh the world." Harley-Davidson's mission starts with the phrase, "To fulfill dreams through the experience of motorcycling." Is your mission this well defined?

As you create or recreate your mission statement, begin with the basics:

- **Why are you in business?**

Your company was started for a reason, whether this was to fill a market void, provide a different product or service, or fulfill a dream. Go back to that initial

passion and explore what it means to your current company. It's likely you're still in business for that same reason, and your mission statement should reflect that.

- **Whom do you serve?** Most companies have a variety of stakeholders — customers, employees and family members, to name a few. Your mission statement tells your customers what to expect from you and motivates your employees to meet those expectations.

- **What do you stand for?** Your corporate values distinguish you from other businesses, and your mission statement should clearly reflect these values. Let your corporate culture shine.

It's a tall order to encapsulate your mission in a few words or a short phrase, but it's also a great exercise in defining your company's purpose.

As outside advisors, our team can help you define and refine your mission. Let us know if you'd like our input.

Mueller Prost PC is a team of CPAs and business advisors headquartered in St. Louis. From humble beginnings on a ping-pong table in 1983, the corporation has grown into one of the leading CPA and business advisory firms in the area, operating out of two locations with more than 90 staff members. By **Advising with Vision**[®], we offer clients new and unique ways to look at their businesses. Our forward-thinking CPAs and advisors stand ready to provide depth of expertise, strategies and resources required to help clients set and achieve their goals at every stage of the business lifecycle. As a member of PKF North America (an association of independent CPA firms), our team has the ability to leverage national resources when needed to benefit client engagements.

The firm offers a full range of professional tax, audit, accounting and management advisory services and works with many closely-held, family-owned businesses.

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