

Stages of Company Growth



A Checklist for Growing Your Company

An eBook from **CEO BOOT CAMP** by John Seiffer

Do you run a company
with 1 to 100 employees?

Are you frustrated with how it's growing?

Bigger is not just more. It's different.
By learning about the different stages you can
become a better leader.



I know. I've done it in my own companies and for 25 years I've helped other business owners across the US and Europe.

Understanding what stage your company is at – and the one you want to be at – is critical for growth. My hope is that this eBook will help you learn some of what I've helped my clients learn.

If you get stuck or want some advice, feel free to send me an email.

Regards, **John Seiffer** john@CEOBootCamp.com

What is the Best Stage?

The best stage is the one that gives the company owners what they want from the company. There's no reason your company has to grow or shouldn't stay at stage-one forever. Many companies do. This checklist is for those who aren't getting what they want from their company and want to learn how to move to another stage.

Most people describe a company's growth by revenue or number of employees. This is a mistake. It's more useful to look at the primary activities of the person at the top - whether owner, founder, or CEO. Their job, their activities, their mind-set all change with each stage.

Stage 1 They are focused entirely on making and selling the product. Employees are just there to help. The person at the top is responsible for everything. Many companies don't grow beyond that. It can provide a living for the owner but no significant wealth. The company can't be sold for much.

Stage 2 They are focused on building the company. There are managers in place, and a real team. If privately held, this can generate a lot of wealth for the owner but it's usually taken out of the company in salary/profits. These firms can get quite big and lucrative. If they are sold, the owner usually has to go with the company because it's not worth as much without them.

Stage 3 They are building a brand or building an empire. They often acquire other companies and use sophisticated financial arrangements. The person at the top is focused on expansion. Someone else has P&L responsibility for the operations - often different people for different divisions. These produce real wealth inside the company either for the founders if privately held, or for the investors.

How would you rate your company? Stage-1 Stage-2 Stage-3

What stage would you like it to be? Stage-1 Stage-2 Stage-3

If the two answers are the same – congratulations!
If not, keep reading.

The idea for these stages came from a book by John H. Brown called *Exit Planning: The Definitive Guide* though I have embellished them quite a bit based on my experience working with business owners. I highly recommend the book for anyone who expects to sell their company in the next 100 years.

Some tips to Consider

Stage-one to Stage-two is the hardest transition.

I call that taking your company through puberty. That's when you get wisdom and experience out of people's heads and dispersed throughout the organization. You do that largely by "reinventing your business from people to process" as Melissa Withers said. She runs a fund that invests in companies at that point. This is not easy – especially for many entrepreneurs who tend to be intuitive but not very procedural. But it's critical if you want to grow.

Succession & Exit Strategy

If you're planning on selling your company, it will be more valuable if it's less dependent on you for the day to day operations. So, one way to use this information is to move your company up the ranks. That means not just making it grow bigger – but also be different (in the right way).

You Don't Have to Change Stages

I help clients all the time who aren't moving to a different stage but want to move up in the stage they're at. They want more money, more time away from work, or a better work environment. I believe your company should serve your life, not the other way around, and I've been helping business owners live like that for 25 years.

You Might Be in Two Stages at Once

A company is composed of systems. Some systems make the product, some sell it, some build the organization. It's not uncommon for those systems to be operating at different stages.

STAGE ZERO – Startup

Startup stage starts with an idea and passion. It ends with making enough sales on a consistent basis to support operations with no outside help. This is a temporary stage. You can't stay here and survive for any length of time without a lot of outside funding.

Check off what's true for you to see if you're at this stage.

- You have an idea but not product.
- You have a product but only a prototype – not in saleable condition.
- You have some sales, but they are sporadic and more effort doesn't result in more sales.
- You don't really know who your best customers are or how they found you.
- You don't know if you're profitable.
- You don't know the life time value of a customer.
- You don't know the cost of acquiring another customer or making another sale.

You can see there's a lot of "don't know" at this stage. Startups are all about learning.

If your sales don't generate enough to cover all your operating costs, you're still at this stage. If you do have consistent sales – enough to be profitable or even grow – but still don't know a lot of the things on this check list, that means you're probably at stage-one. Keep reading.

STAGE ZERO – Action Items

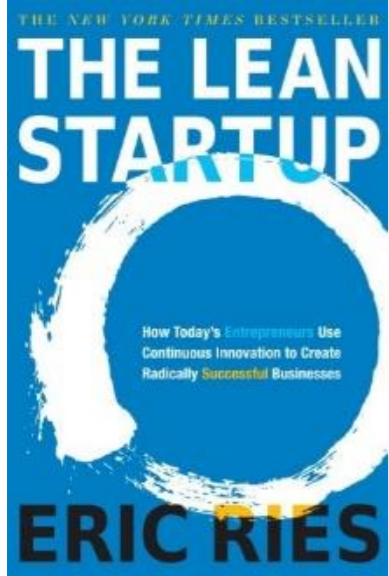
If you're still in the idea stage, or prototyping your product or don't have consistent sales, then you need to learn what your customers want to buy.

The Lean Startup method is one of the best I've found for this. If you only have an idea but no product then **don't** build it yet. Instead start learning who your customers are and how important is the problem you're trying to solve (to them). Then learn what they want the solution to look like. This process is called "Customer Development" and it's an actual process you can learn. See RESOURCES on the next page.

If you have consistent sales but not enough, then you need to learn if the problem is your unit economics (pricing and cost structure) or if the problem is velocity (how many sales you make per month).

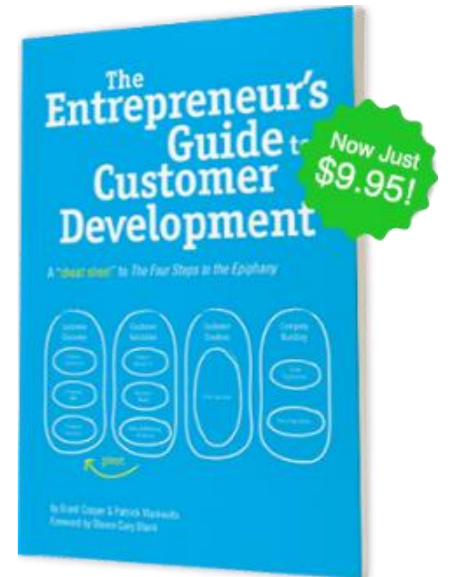
Find a mentor or consultant who can help analyze your numbers. That will show you where to improve. If unit economics is the problem, focusing on velocity can make the problem worse.

STAGE ZERO – Resources



Buy the Lean Startup book at [Amazon](#) and watch [a video](#) of Eric Ries's talk at Google HQ.

Buy the Customer Development book or check out [the website](#).



Search the web for lots of articles, and videos on Lean Startup, Customer Discovery, or Customer Development techniques.

STAGE ONE – Hands On, Head Down

Business owners at this stage do the heavy lifting themselves, and when they hire people, it's to assist them in getting things done. They spend their time building their product and selling it. Stage-one companies stay pretty small - usually less than 10 people - and the earnings can provide the owner a decent living (maybe 100k or sometimes even 200K) but not much real wealth inside the company. As a result, these companies are often run by the founders (or the founder's children). But they can't be sold for much money because all the real value walks out the door when the owner leaves.

Check off what's true for you to see if you're at this stage.

- FOCUS: Stage-one owners focus on making & selling product.
- TIME: Mostly spent interacting directly with customers – sales or production or both.
- PEOPLE: Employees are directed by the owner. They usually do production. Personal effort gets results.
- ENERGY: Can vary from an adrenaline rush to disappointment or even despair when cash is tight.
- PAY: Owners often don't earn market rates for their work. They consider their time “free.”
- ACCOUNTING: They use check book accounting – if there's money left at the end of the week they can go out to eat.
- PLANNING: Not much beyond the next month or the next project.
- TIME AWAY: When they're not present things go haywire. They own a job not a company.
- OUTSIDE ADVISORS: Only a CPA (who just does taxes) and a payroll firm.
- SALES: Happen when they put effort into it and slow down when they don't.
- WEALTH: Owners earn a living (sometimes a good one) but not much wealth in the company.

Many companies are at this stage no matter how long they've been around. It can be frustrating when things don't go right and incredibly rewarding when they do because you're right in the middle making things happen.

STAGE ONE – Action Items

Here are some things I often suggest for stage-one companies.

Decide if you're getting what you want from your company. If you are, keep on keeping on. If you're not, make a list of what you want from the company. Then change it in the direction that will give you that. Often this takes working with someone who's done that before.

See if you can raise your prices. Often people think having a low priced offering makes it easier to sell, and often they are wrong. So, you might as well get more for the effort.

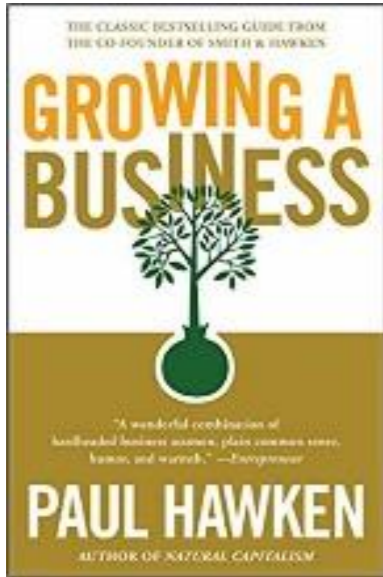
Hire an assistant. If you're really the key to production and/or sales, it's more profitable for you to be doing mostly that and have someone relieve you of all the administrative tasks.

Use time blocking to plan your week. This means allocating a block of time each week to sales, and a block to CEO time – working ON your business. It doesn't have to be a large block but consistent effort in these areas pays off.

Consider a peer group for emotional support – formal or informal. It can be lonely running a company and knowing others who are in the same boat can be inspiring.

Consider a coach or mentor for wisdom and insight. Find someone who's been there and done that who can help you improve your skills and knowledge.

STAGE ONE – Resources



Growing a Business by Paul Hawken is a really good book for companies at this stage.

You may need to find a used copy or get it from the library.

CEO Boot Camp
Grow Your Company Faster

I'd be remiss if I didn't mention [my blog](#) at CEOBootCamp.com
I've been writing about this since 2006.

STAGE TWO – Hands Off, Head Down

Owners at this stage are good at delegating and have hired managers. As a result, these companies can grow quite large and provide a lot of wealth for the owners. A mix of salary and profits can be over \$250K and often well above that figure.

At the early stage-two, the owner's motivation is often to work less and get more time away from work. But as these companies mature, the owners get that time. Then they can spend time on other endeavors - charity, politics, hobbies, travel, or even unrelated business.

If you're at stage-two, many of the following are probably true for you:

- FOCUS: On building the company – others build the product
- TIME: Owners spend time mostly with employees and managers.
- PEOPLE: Managers are hired. Processes are in place to support people's best work.
- ENERGY: Steady with occasional highs and lows.
- PAY: Including profits can be very lucrative.
- ACCOUNTING: Regular accounting reports are used for managerial insight, not just taxes.
- PLANNING: Thinking further out than stage-one, but often annual plans are missing.
- TIME AWAY: Can get away for personal or business reasons and things are fine
- OUTSIDE ADVISORS: They have some such as a coach, lawyer, advisory board, accountant.
- SALES: Happen constantly. Treated like a process often done by full-time sales people.
- WEALTH: These companies can provide wealth (through profits are taken out of the company)

Warning! The hardest transition is from stage-one to stage-two. This is where things really get different – not just bigger. For that reason I call it taking your company through puberty.

So much has to change from stage-one: your schedule, your focus, your business model. By that I mean your cost structure which affects your selling price which often affects who you market to.

That's a daunting change to those who are unprepared, and it often results in a dip in profitability until you push through that dip and proceed up the slope on the other side. So, don't do it without some preparation.

However, when you make it through, stage-two companies can give you the best of both worlds. They can be very lucrative and also allow you time to really pursue your vision or other pursuits.



STAGE TWO – Action Items

Look over the stage-one action items. Some may be useful now too. Then consider these:

Get a good grip on your numbers. Hire a fractional CFO if need be. Numbers should help you make management decisions.

Upgrade your customer base. Focus on those you can serve the best, and only those.

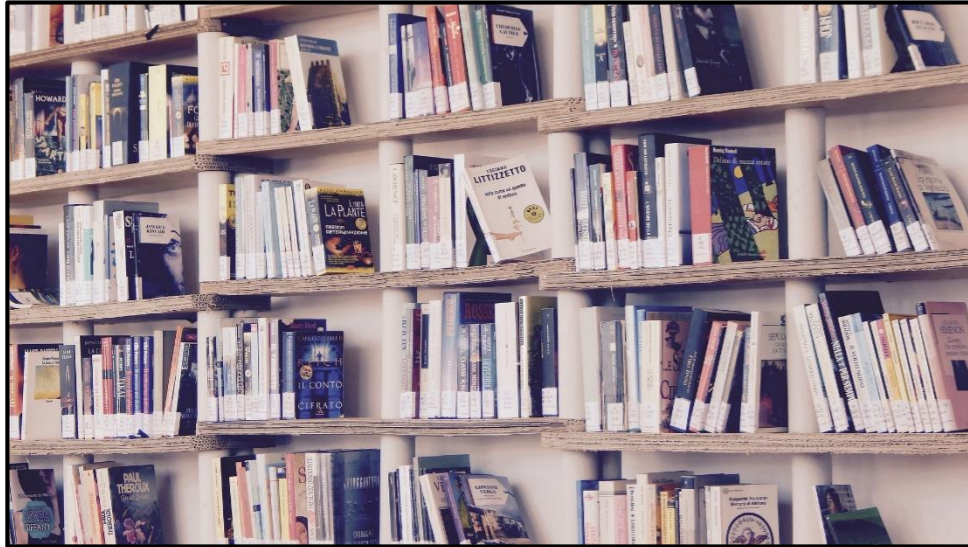
Improve your [Leadership Skills](#). Clarify your vision for the company and share it all the time.

Develop 3 [levels of Management](#). Management is distinct from leadership.

Have an annual planning session. And make sure people are held accountable to the plan year-round. You'll get so much more out of it if you have a facilitator run this session.

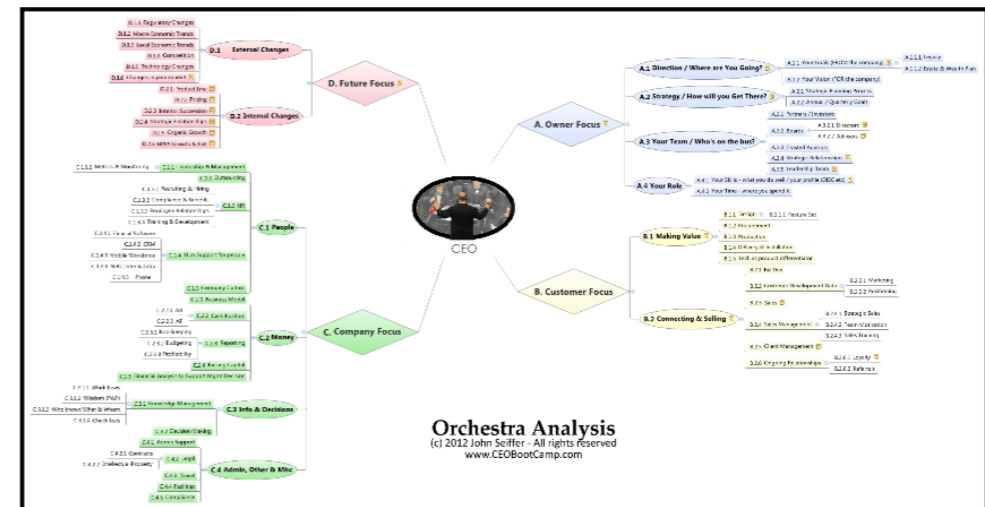
Think about your exit plan. If it's less than 5 years away get help with a plan. Buff up the company first before you work on the taxes and legal prep. Don't put the company on the market till all that is done.

STAGE TWO – Resources



Useful books for this stage are specific not general. There are too many to list, but you can see what's in my library [HERE](#).

Orchestra Analysis. This process gives a review of all the systems in your company. See a short video [HERE](#).



STAGE THREE – Hands Off, Head Up

This type of owner has built a company like the second type but doesn't take all the profit out of it. Their take-home may be high (250K or more) but they limit it and put the rest into growing the firm. They've hired not just managers, but directors - some with P&L responsibility in different parts of the organization.

By "organization" I mean they not only grow their company, but often buy other companies in adjacent (or even unrelated) industries and run them under the same leadership. Their strategic relationships are within their industry not necessarily within their company. They become power houses regionally, nationally or even globally.

These folks function like CEO's of public companies. They take advantage of sophisticated financing options available at this level. While their personal wealth may be diversified, they have also created substantial wealth inside the company. These folks spend their time expanding their empires and building their brand. Others build the product and the company.

How many of these are true for you?

- FOCUS: Building an organization or brand often through acquiring other companies or organic expansion
- TIME: Mostly spent outside the company with industry leaders or joint venture partners
- PEOPLE: Directors are hired. Some have P&L responsibility.
- ENERGY: Like stage-two but not everyone feels the same way at the same time due to the size of the organization.
- PAY: Earn a lot but put most of the profits back into building the organization
- ACCOUNTING: Sophisticated financing options are used for growth internally and acquisition
- PLANNING: Planning is critical. Often plan 3-5 years out or more.
- TIME AWAY: No problem. Often required for business reasons
- OUTSIDE ADVISORS: Have many and use frequently including industry-specific consultants
- SALES: Full sales teams include strategy at the VP level
- WEALTH: These companies contain a lot of wealth. It's realized when the company is sold or passed to future generations.

STAGE THREE – Action Items

Consider executive coaching for yourself and key team members.

Surround yourself with others who play at this level.

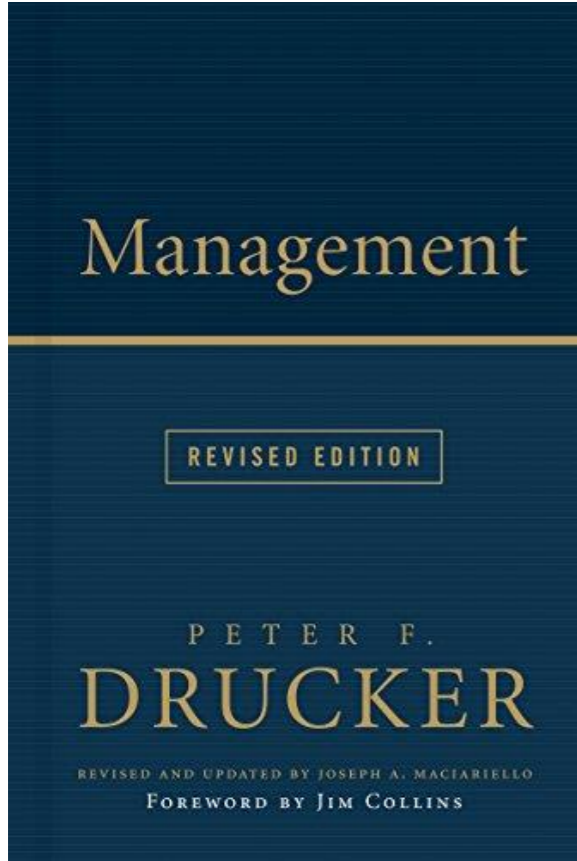
Remember this is a marathon not a sprint and design your life style accordingly.

You'll need a full time CFO to continue to grow.

Get a good Board of Directors if you don't have one already and learn to use them well.

Have a written succession plan for yourself and all key team members.

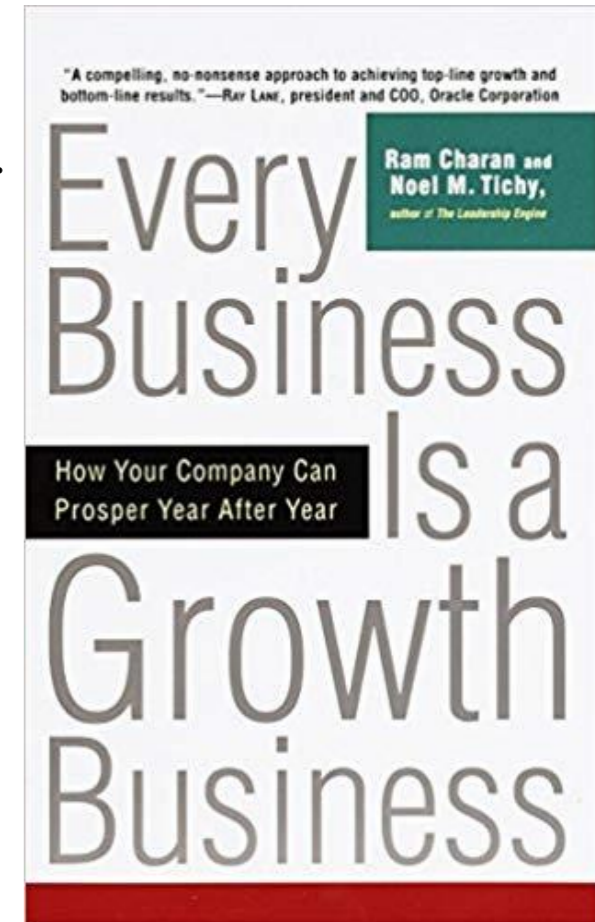
STAGE THREE – Resources



I would recommend [Management by Peter Drucker](#) – and almost anything else he wrote.

Also anything [by Ram Charan](#).

Look to these authors to expand your vision of what a company can become.



I hope this gave you some new insights
about how to grow your company.



On the next few pages I'll share some ways I've helped my clients move their companies through the stages. Then I'll tell you a bit about my history and where I learned some of this.

Client Stories

Here are some stories of how I've helped others move their companies through the stages.

Bob was frustrated that his employees were smart people (college grads, many PhDs) but they kept sending dumb questions to him.

Source of the problem: Bob was a chemist not a manager and as his company grew the structure of communication and support did not.

Solution: Build a management structure and communication procedures relevant to the size of his organization.

Dave was frustrated that some of his long time employees kept asking for raises but he felt like they weren't worth the money.

Source of the problem: Dave ran his company by intuition, experience, and loyalty. Some of his people were in positions based on loyalty not expertise.

Solution: Define positions independent of people. Set up a compensation plan that included rewards based on measurable productivity.

Robin was frustrated that the VP of sales couldn't hire a good sales team.

Source of the problem: Robin had promoted the best sales person to management.

Solution: Distinguish management as a separate skill set with training and oversight. Reward production from non-managers financially and culturally.

More Client Stories

Sam was frustrated he couldn't open overseas markets fast enough or turn his service into an online product.

Source of the problem: He actually didn't have the skills to do either and wasn't willing to make the required investment to acquire those skills.

Solution: His pricing was out of line with his existing market. After adjusting his price, profits were up 78%

Sebastiaan was worried that his company was growing so fast he would lose control and not make his earn-out.

Source of the problem: A fairly young CEO had more experience in tech and product than in organizational development.

Solution: Institute an annual planning process that pushed authority down in the organization while keeping accountability throughout. This developed leadership, teamwork and transparency.

Dave was frustrated that sales fluctuated based on the economic situation of his customers which he couldn't control.

Source of the problem: A 50 year old advanced manufacturing company had no sales force. It got all its business by reputation and relationship.

Solution: Before hiring a sales force, we made sure that the proper systems and mindset were in place to A) define the best customers for this company B) support the work that a sales team would bring in and C) manage sales.

My Story

I started my first company in 1979. Since then I've never had a job – always had companies. The craziest was when I left my company in Texas and moved to Connecticut and ran it from there for over a dozen years. It's been an exciting, sometimes terrifying, but overall satisfying and very lucrative adventure since then.

And I've learned a lot from clients I've worked with over the past 25 years, first as a coach and then as a consultant. I've worked with companies in many industries and across the US and Europe. We focused on improving leadership and management skills, and structuring the companies for growth.

For a while in the late 1990's, I was pretty involved in the coaching profession. I helped found the International Coach Federation and served as Treasurer and in 1998, as President. Last time I checked, it had over 30,000 members in 80 nations.

In 2005 I began investing in startups as an angel investor. I've since served on the board of the Angel Investor Forum in Connecticut and in 2012 was elected President.

The CEO Boot Camp is my attempt to share the things I wish someone had shared with me 40 years ago when I started my first company. I hope the Boot Camp will help you have as much fun and profit in your journey as I've had in mine.



I hope this has been useful to you. And I mean it – send me an email if I can help.

Regards, **John Seiffer**

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