

This e-book is meant to provide business owners an introduction to the critical aspect of business growth which when followed can lead to *life independence and financial freedom!*

The Business Growth Matrix

Understanding the
Stages of Business Growth

By Dino Eliadis



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Understanding the Stages of Small Business Growth

This e-book is meant to provide an overview to small business owners of on the goals, objectives, issues, and skills required to manage a business through each stage of the small business growth model. It describes the frequently overlooked aspects of business growth. Applying the methods found within this guide can increase a small business' chances of achieving the self-sustainability stage of the business growth model.

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So You Want to Grow Your Business?



Small business owners tell me all the time, “I want to grow my business.” So, I ask them some simple questions, what exactly do you want to grow top line growth, bottom-line growth, market share? They look at me like a deer in the headlights. Or worse, they say “yes, all of that!”

I proceed to tell them each of these growth goals has a completely different strategy in which it is accomplished, so you have to pick one. Frequently they can’t decide or are unwilling to do so. This is the first sign that they are struggling with the growth of their business. To them I’m just some guy they just met or was introduced to by someone they know, so they are skeptical to take my word for it. I get it. But, it is still in my nature to want to help.

I have struggled with this skepticism since I started my first business back in 1991. Then recently while attending a seminar, the light bulb went on. Small business growth is not a new concept. People have been studying and writing about it for decades. So I said why not start there.

As I began doing my research what I found is very interesting. There are hundreds of growth models out there. Heck, I was introduced to the business growth concept myself when getting my MBA way back in 1985. So if business growth isn’t a new concept, why isn’t it a more mainstream part of small business training?

There were all kinds of models out on the web. They come in all shapes and sizes. There are three stage, five stage, and even seven stage models. What is the right number of stages for a small business growth model?

As I read the characteristics of each stage, they all sort of hit the same areas. It was just that one author decided to draw their line one place and another decided to draw their line somewhere else. In some cases, it was done for marketing reasons, to differentiate their model from the others. But that was not my intent. I just wanted to see if those who claim to be the experts agreed on how a small business matures. The surprising fact is that they all pretty much do.

The most significant approaches I found came from two Harvard Business Review articles: "[The Five Stages of Small Business Growth](#)" (Neil C. Churchill & Virginia L. Lewis, 1983) and "[Evolution and Revolution as Organizations Grow](#)" (Larry e. Greiner, 1972). These articles provided statistical research and had already been accepted by one of the premier business publications in the world. This was a good place to start.

From all of this compiled data, I created a model by which small business owners could methodically grow their businesses to the point they could live out their dreams of personal independence and financial freedom.

The Search for Business Growth Continues

Because this model is based on credible research, you can feel confident that by applying it in the proper sequence you will get the best results. The stages in the model are as follows:

1. Foundation
2. Survival
3. Self-sustainability
4. Rapid Growth
5. Maturity

Another significant finding from the research paper was the fact that both *owner* and *company* factors are critical to a business' growth. This wasn't a new revelation to me. For decades, I have said that both leadership and management influences business performance. Let's look at the characteristics of the leadership and management factors that consistently influence business growth at every stage.



4 Leadership growth factors

- **Owner Goals** — how the owner has decided to use the business as an asset that supports their personal dream.
- **Operational Skills** — how well the owner understands what the business does to generate revenue.
- **Managerial Abilities** — how well the owner understands how to direct the management growth factors towards achieving the owner's goals for the business.
- **Strategic Thinking** — how well the owner understands outside influences and applies the management growth factors to react to opportunities and threats to maximize return on the investment.

4 Management growth factors

- **Financial Assets** — the money-related resources necessary to achieve your business goals.
- **Personnel Resources** — the team necessary to achieve your business goals.
- **Systems** — the processes, procedures, and technologies used to achieve your business goals.
- **Business Assets** — those tangible and intangible things that a business both owns and that give value to the business, such as equipment, facilities, customer lists, intellectual property, and so on.

At What Stage is Your Small Business Growth?



Now that you have a general outline of the growth model and its components, let's take a deeper dive. To use the model to get results, it is important for you, as an owner, to understand it in more detail.

First, I'll take you through the stages. The major thing to understand about the stages is that each has *one*, and *only one* goal. When you achieve that goal you move to the next stage of growth.

It's that easy! Achieve the goal and your business grows.

So what makes it so hard? That's easy to answer; it's because nobody has shown you the model or told you "this is all you need to concern yourself with at this stage of your business's growth."

Now do you see why I said this subject is so important? You're getting bombarded by business experts telling you, "You need social media; you need accounting; you need legal help; you need equipment; you need a loan; you need fill in the blank". But which do you really need? The answer is this: use the model described in this book, you can confidently select the right help based on what you really need to accomplish at your particular stage of business growth.

Now, let's take a closer look at each of the five stages and their primary focus.

Stage 1: Foundation

Goal: Get monthly cash flow to the point of consistent breakeven.

You might think that the foundation stage is the same as the startup stage of a company. But in fact, there are many businesses that have existed for years and still cannot break even month to month.

Businesses in the foundation stage need better owner leadership and management that is focused on creating consistent monthly cash flow. In a later section, you'll learn about strategies to help you get out of the foundation stage and move on to making real profits.

Stage 2: Survival

Goal: Consistently achieve owner-established profit requirement.

The shift at this stage is to move from breaking even every month to profitability. As an owner, you have invested time, money, and hard work into your business. Now that you are breaking even, you need to begin getting a return on investment (ROI).

This means going beyond just making enough to keep the doors open. You must begin expanding the systems created in the foundation stage to consistently meet a profit requirement you have set for your *business*. Notice it's a *profit requirement and not a goal*. That's because to become independent and financially free, there's a certain amount of income that the business must generate for you.

Your level of business knowledge needs to increase, too, or your business will begin to stagnate. In a later section you'll see why so many business owners get stuck here in the survival stage. It's what I call "nowhere land."

Stage 3: Self-Sustainability

Goal Path A. Sustain the business's success created to this point.

or

Goal Path B. Rapidly grow the business to a large corporation.

When you achieve the self-sustainability stage, your business consistently generates a profit without you, and you have the independence and financial freedom to choose your next goal.

Sustaining success means you are choosing to let your business run itself in a way that keeps it the same size until you are ready to act on your business succession or exit plan. Rapidly growing means you are choosing to grow your business into a large corporation with the help of an executive team.

But beware: self-sustainability is where many owners get mired between self-sustainability and survival. In fact, many owners think they are in self-sustainability when they are actually still in survival. So how do you know if you are firmly in self-sustainability? Take the self-sustainability litmus test.

Litmus test: Does the business consistently generate profit without owner intervention?

If your answer is "Yes," then your business is self-sustainable and has real value because it is running itself. If your answer is "No," then your business is stuck in survival because it relies on you, the owner, to consistently generate profit. And being stuck in survival has consequences: you still have a job; and it will be difficult, if not impossible to do what you really want to do, whether it's to stay the same size until you act on your succession or exit plan or to move to rapid growth.

Stage 4: Rapid Growth

Goal: Assure that growth does not outpace assets, resources, and systems.

The rapid growth stage is based on an owner's decision in the self-sustainability stage to grow the business into a large corporation (as opposed to disengaging and keeping the business the same size).

Self-sabotage can be a problem in the rapid growth stage as many business owners started their business to get out of the corporate grind. Being part of the corporate grind means that you are a cog in a self-sustaining system because you are serving in some kind of operational role. It stands to reason

that if you continue in an operational role in your business, then you've created your own corporate grind and your own place as a cog.

In the rapid growth stage, large sums of capital are needed as the business takes on more and more customers and therefore requires more people, equipment, and materials. The resources needed to service these new customers seems ever expanding. Properly executed, it is in this stage that a small business becomes a big company. If not managed properly, this stage can be the death of a company. Yet many business owners resist and sabotage their rapid growth efforts by refusing to give up their operational roles.

You can combat this problem using DE, Inc.'s Personal and Business Goal Assessment. You can find this tool on our website www.dinoeliadis.com.

Stage 5: Maturity

Goal: To diversify the company by offering related products or services to existing customers or by entering new markets.

Once it achieves rapid growth, a business moves into maturity. The all-too-typical characteristics of businesses in the maturity stage are that they are big and lethargic. The business has again reached a plateau. It has saturated its market or outgrown its management team's ability to manage the business's growth. Businesses in the maturity stage often cannot react to major shifts in the market and die as a result. But well managed businesses in this stage begin to diversify in ways that allow the company to continue to grow.

Work in the maturity stage is accomplished by moving into other markets or finding related products for the existing customer base. These other markets or products are really other entities in earlier stages of the growth model. So you may see different parts of the business begin working at different stages of the growth model.

For example, you might look at new product development as a strategy here. The new product is just another application of the foundation stage. So the growth model can operate at various levels within a business that offers several products or serves more than one market.

Nowhere Land – Stuck Between Small Business Survival and Self-Sustainability

A great family and friends, beautiful home, nice cars, regular vacations, all the material things you could ever want. Your life is a dream. Sound familiar or like what you want for your life?

I meet small business owners all the time that live this lifestyle. The problem frequently is they don't realize how close their supposed dream is to a tragic nightmare because what they believe is *business success* is really only *business survival*!



Here's what I mean. Many small business owners think because their business is profitable that they are successful. If you look at the stages of business growth model from my previous section you'll see *profitability* only places you in the "survival stage". It is business *self-sustainability* that gives you the life independence and financial freedom you really want for your life. That's why you started your business, wasn't it?!

Too often an owner's presence is required in order for profitability to be maintained. If the owner takes an extended leave of absence the business' profitability suffers as a result. This means the business' success is tied to the **owner NOT** the **business**!

"So what," you may say. But, this scenario creates enormous risk for many more people than most owners would care to admit! The owner's family is at risk, as the liabilities associated with the business may be more than they can financially shoulder if the owner died unexpectedly. The employees' jobs and livelihood are at risk as without the owner the company ceases to exist. Vendors and customers that rely on the company's products or services are also at risk. All of this is tied to one person – the owner. So, you tell me, does having all this risk tied to one person present a problem?

So how do you mitigate this risk? By transferring it from the owner and spreading it around within the business? You do this by creating business systems, which is a major objective of the small business growth model *self-sustainability* stage. Establishing business systems or procedures is not usually a skill the average person possesses. So, small business owners usually get stuck in *nowhere land* and struggle between *survival* and *self-sustainability* as a result.

A big benefit of making this transition is **increased value** to the company. Systems create consistent cash flow and profitability for a business are key motivators to *real* business investors. The ability of your business to demonstrate it can operate without you makes it very attractive to buyers and investors.

So making this transition improves your ability to [exit your business](#) and maximizes the return on investment—your business. In fact, DE, Inc. frequently gets involved with clients when they are thinking of exiting because they have not set up the proper systems to allow their business to function without them. The reality slaps them in the face when they begin the process and realize their company is worth

far less than they thought it is worth because cash flow and profitability are still heavily dependent on their efforts. Few buyers or investors will look seriously at a business built in this manner. Many of the tools on this website help you begin the transition.

Do you know a business owner stuck in nowhere land? Share this e-book with them. They will thank you for getting them on the road toward achieving real business self-sustainability.

Using the Business Growth Matrix

The pages that follow outline what you should be focused on as you move your business through the stages of the growth cycle. It is up to you to master the skills necessary at each stage. Additionally, you must assure your business has the proper people, resources, and systems in place to be able to replicate what gives you success in the current stage so that you can focus on the new challenges that lie ahead for both you and your business.

Business Growth Simplified has organized a set of resources to assist you with this process. We created an entire line of resources to assist you with achieving the independence and financial freedom that you dream of by growing a self-sustaining business.

1. [Do It Yourself](#) – where you learn our success process using 24 x 7 online training and reading to gain skills you need to manage and lead your company through each stage of the business growth cycle.
2. [Business Growth Coaching](#) – adds structure and accountability to the process with a seasoned BGS Coach that know how to apply the SPARC Business Growth Framework to grow a self-sustaining business.

[Contact us](#) at 727-453-9886 or info@businessgrowthsimplified.com you're not sure which solution best fits your current situation. We look forward to assisting you with your small business growth!

The Small Business Growth Matrix

	Foundation	Survival	Self-Sustainability	Rapid Growth	Maturity
Description	<p>Some might think this is the startup stage of a company. But in fact, there are many businesses that have existed for years and still cannot breakeven month to month.</p> <p>Businesses at this stage need maturity in the owner, company systems, or both to create consistent monthly cash flow.</p>	<p>The shift at this stage is on profitability. You have invested time and money into your business now you need to begin getting a return on investment (ROI. That means going beyond just making enough to keep the doors open. You must begin creating systems in your business that generate profits consistently.</p>	<p>A key decision point for the business. We find many of our clients half way here, mired between self-sustainability and survival. Many owners are in survival but believe they've created profitability they can stop. Consistent profits lull owners into a false security but if the success is not system-based it cannot be sustained. A test for self-sustainability is can the owner disengage from the business and it consistently continue generating profit? This ability is what gives a business real value. .</p>	<p>This stage is based on an owner's goal to grow the business set in the self-sustainability stage. In the rapid growth stage large sums of capital are needed as the business takes on more and more customers thus needing more equipment and materials. Also, the number of employees to service these new customers seems ever expanding. Properly executed it is in this stage that a small business becomes big company. If not managed properly, this stage can be the death of a company.</p>	<p>The characteristics of this stage are big and lethargic. The company has again reached a plateau. It has saturated its market or outgrown its management teams' ability to manage its growth. Companies in this stage often cannot react to a major shift in the market and die as a result. Int this stage well managed companies begin diversifying in ways that allow the company to continue to grow. This is accomplished by moving into other markets or finding related products/ services for existing customer base. These managed as early stage companies.</p>
Goal	<p>Get monthly cash flow to the point of consistent breakeven.</p>	<p>Consistently achieve owner-established profit requirement.</p>	<p>Path A. Sustain the business's success created to this point.</p> <p>Path B. Rapidly grow the business to a large corporation.</p>	<p>Assure that growth does not outpace assets, resources, and systems.</p>	<p>To diversify the company by offering related products or services to existing customers or by entering new markets.to sell to the existing customer base.</p>

	Foundation	Survival	Self-Sustainability	Rapid Growth	Maturity
Objectives	<ul style="list-style-type: none"> • It's all about survival • assuring enough cash to meet financial needs • market acceptance, determine a market exists for your product or service • pursue 1 niche opportunity • can enough customers be found to survive • provided service well enough to be create customer loyalty • Expand beyond 1 key customer • Accomplish the necessary proper legal structure for company 	<ul style="list-style-type: none"> • Key focus moves from cash to sales • Establish customer base and market presence by modeling profitable client needs • Focus on getting product/ service into the market. • Generate enough cash flow to break even & to finance growth • Hire people to help • Reality check: is the business on the right track, or does a different model create greater future asset value for this company? 	<ul style="list-style-type: none"> • Run business in a more formal fashion • Plan for the storm • Seat executive team • Establish systems • Develop key people and management • Competent mgmt & key employee • Operational budget and strategy is monitored • Mgmt team & owner delegate more • Generate sufficient cash flow for strategy • Focus on market penetration & competitive edge <p>Stability:</p> <ul style="list-style-type: none"> • Owner disengages from business more • Owner begins spending more time away from day-to-day operation and focused on strategic projects • Consolidate company, develop efficiencies & marshal resources <p>Growth:</p> <ul style="list-style-type: none"> • Develop managers for growth & eye to future • Increase sales & customers • Exploit market niche 	<ul style="list-style-type: none"> • Financing rapid growth is critical to this stage. • Owner delegation to improve managerial effectiveness. • Decentralized org. managers must be extremely competent. • Rely on talented mgrs & key employees keys to success • Company systems tested, altered & delegated, with strong strategic leadership from top management • Move into new markets • Partner with businesses complementing existing experience & capabilities • Add new products or services to existing markets • expand existing business into new markets & customer types • 	<ul style="list-style-type: none"> • Move from an annual planning perspective to a MULTI-YEAR strategic perspective • Expand management to eliminate inefficiencies of rapid growth • Decentralize management • Retain advantage of size, nimbleness & flexibility • Growth causes inefficiencies ensure structure continues to grow & evolve. • Convert entrepreneurial spirit to a market aim • Strong market niches and competitive edge • Innovate to boost profit • Market branding and recognition strength • Anticipate market change & adapt better & faster than competition to maintain competitive edge • planning & research of new products as if a seed or start-up stage

	Foundation	Survival	Self-Sustainability	Rapid Growth	Maturity
Challenges/Risks	<ul style="list-style-type: none"> • Enough cash to meet startup phase. • Time is finite & never enough to complete all tasks • Owner business acumen is low. Frequently avoid learning because they believe only big businesses require the skills • The mortality rate of organizations is high in this stage - over two-thirds of all don't make it out of this stage. 	<ul style="list-style-type: none"> • Misjudging time to market & money needs create problems • With rapid growth, management fails to monitor key indicators • If cash flow gets thin, disaster is around the corner. • Problems shift from foundation to revenue & expense bringing new challenges. • Breakdowns will occur, plan for them. • Evaluate if cash flow can create asset ROI. • Owner growth is critical or business stays here forever. 	<ul style="list-style-type: none"> • Company has grown beyond CEO/ Owner's span of control. Learn delegation or business stagnates. • Issues bid for more time and money • CEO risks firm's future value by saving money on talent • Opportunities missed and momentum lost due to slow decision making process • Business growth outruns its cash. • If this stage is not navigated successfully, business may slide back to survival stage • Without integration of business systems, the size and complexity will not allow the company to attain efficiencies of scale. Competition will eat them for lunch. 	<ul style="list-style-type: none"> • Will there be enough cash for high demand of cash (high debt-equity ratio)? • If unsuccessful, business can fall back and find equilibrium in earlier stages. • Moving into unrelated businesses is disastrous • CEO risks losing firm by saving money on talent 	<ul style="list-style-type: none"> • If company lacks innovative decisions & avoids risk stagnation is inevitable. • A major shift can damage company irreparably in this stage. • Not seeing the larger strategic picture could cause the "too little too late" syndrome
Leadership Factors:					
Owner goals	<ul style="list-style-type: none"> • Drive growth with your vision • Engage in activities that sustain passion and energy for your business 	<ul style="list-style-type: none"> • Set a profit requirement and use it for planning • Continue driving growth with your vision • Continue engaging in activities that sustain passion and energy 	Choose your next goal: <ul style="list-style-type: none"> • sustain success to this point <i>or</i> • move to rapid growth 	<ul style="list-style-type: none"> • Commit to a growth strategy for the business • Choose your role: none (disengaged) or advisory 	<ul style="list-style-type: none"> • Be an advisor, period

	Foundation	Survival	Self-Sustainability	Rapid Growth	Maturity
Operational Skills	<ul style="list-style-type: none"> ● Become the expert in how to sell your product or service and how to run your operations 	<ul style="list-style-type: none"> ● Continue being the expert in selling and how to run your operations ● When you are consistently profitable, then hire one key manager 	<ul style="list-style-type: none"> ● Transition from “doer” to executive ● Delegate responsibilities to supervisory staff 	<ul style="list-style-type: none"> ● Not applicable 	<ul style="list-style-type: none"> ● Participate in executive meetings where decisions are made about changes in growth or changes in systems
Managerial Abilities	<ul style="list-style-type: none"> ● Be comfortable with trial and error 	<ul style="list-style-type: none"> ● Start training and delegating work while keeping primary control ● Continue being at ease with trial and error 	<ul style="list-style-type: none"> ● Stop using trial and error ● Continue to train and delegate 	<ul style="list-style-type: none"> ● Not applicable 	<ul style="list-style-type: none"> ● Advise your executive team on how to manage diversification of the business
Strategic Thinking	<ul style="list-style-type: none"> ● Write your business and action plans ● Review and update your plans weekly 	<ul style="list-style-type: none"> ● Plan business growth based on forecasts of monthly cash flows ● Continue weekly reviews and updates of business and action plans 	Envision 3-5 years from now. If your goal is to: <ul style="list-style-type: none"> ● sustain success, then plan your exit strategy ● rapid growth, then plan your growth strategy 	<ul style="list-style-type: none"> ● Include managers in planning strategies 	<ul style="list-style-type: none"> ● Watch for new markets, products, or services for growing the business
Management Factors:					
Financial Assets	<ul style="list-style-type: none"> ● Sell enough to generate breakeven cash flow every month Money sources <ul style="list-style-type: none"> ● Get flexible payment terms from suppliers ● Sell to customers ● Obtain grants ● Get crowd funding 	<ul style="list-style-type: none"> ● Sell enough to make a profit every month ● Accurately forecast monthly cash flow Money sources: <ul style="list-style-type: none"> ● Get flexible payment terms from suppliers ● Sell to customers ● Obtain grants ● Get crowd funding Banks will consider you under the right conditions	If your goal is: <ul style="list-style-type: none"> ● sustain success, then preserve capital, and create passive income ● rapid growth, then use retained earnings and cash flow to leverage growth Money sources: Continue with earlier sources and add ... <ul style="list-style-type: none"> ● Banks ● Partnerships ● Leasing options 	<ul style="list-style-type: none"> ● Use a profitability-planning system ● Assure adequate financing to keep pace with growth ● Manage cash flow with expense and budget controls Money sources: Continue with earlier sources and add... <ul style="list-style-type: none"> ● Joint ventures ● Banks ● Licensing ● New investors ● Partners 	<ul style="list-style-type: none"> ● Consolidate and control financial gains from rapid growth stage

	Foundation	Survival	Self-Sustainability	Rapid Growth	Maturity
Personnel Resources	<ul style="list-style-type: none"> Do the work yourself; do not incur debt to hire others 	<ul style="list-style-type: none"> Hire sales people and operational resources as necessary. Begin identifying the sales people who are loyal, high producers 	<ul style="list-style-type: none"> Hire supervisory staff Hire or continue hiring employees to meet sales demand 	<ul style="list-style-type: none"> Expand a skilled, experienced and competent management structure 	<ul style="list-style-type: none"> Bring on a board of directors (BoD) Advise the BoD on developing a diversification plan
Systems	<ul style="list-style-type: none"> Start documenting your quality standards and processes 	<ul style="list-style-type: none"> Continue documenting your quality standards and processes Begin training personnel on how to use your systems 	<ul style="list-style-type: none"> Use more sophisticated accounting and management systems <p>If your goal is:</p> <ul style="list-style-type: none"> sustain success, then formalize your systems rapid growth, then create scalable systems 	<ul style="list-style-type: none"> Refine and extend systems to keep pace with growth Fine-tune management systems Use systems to do financial planning, forecasting, and to model growth strategies 	<ul style="list-style-type: none"> Aid the planning of strategies, budgets, and operations for the purpose of diversification Build and documented to manage risk while retaining the flexibility of entrepreneurship Align with management with business objectives
Business Assets	<ul style="list-style-type: none"> Use your own equipment and other assets; do not incur debt to buy it 	<ul style="list-style-type: none"> Begin to solidify a market Increase business assets, as needed, so production keeps pace with increasing sales 	<p>If your goal is:</p> <ul style="list-style-type: none"> sustain success, then use business assets to create passive income rapid growth, then acquire assets needed to grow 	<ul style="list-style-type: none"> Add tangible and intangible assets to aid growth 	<ul style="list-style-type: none"> Add significant tangible and intangible business assets to the balance sheet

Assess your company's stage of business growth. Call 727-453-9886 or email info@businessgrowthsimplified.com to receive a 20% off a Business Growth Assessment.