

INTRODUCTION

How do you grow a business? I mean, really grow it much bigger than it already is. This is a question that plagues many business owners—large and small.

There are many business consultants and coaches who will tell you how to do it, and while many of them share some ideas, no two strategies are the same. That's because there are many ways to grow a business.

There are also many ways to get stuck. The real gold is not in talking about how to grow. It lies in determining where we get stuck, and keeping ourselves free of these traps.

Many of the traps we fall into lie in the thinking about what it takes to grow a business. There is a great deal of conventional wisdom on how to do that. Much of this “wisdom” is flawed. So that leaves us with the question, *how do you sort out good thinking from bad when growing a business?*

The answer is simple. You check with people who have done it. They have travelled down the path of growth, and they have found a way to get past those traps.

This book was designed to give you a glimpse into the journey of one such business owner, midstream through the growth process.

Louise Pasterfield, Managing Director of Sponge UK, has been actively at work growing her already established company for the past three years. So far, she has achieved a five-fold increase in gross revenues, with a commensurate increase in net income as well.

As she plans the next five-fold increase of her business, we look back at her progress over the past three years: what she has done, where the traps were, and what she discovered along the way.

This book is presented as a story, though the story is real. The only names that were changed were those of three people she had to let go along the way. After clarifying why “thinking big is not enough” in Chapter 1, and setting the stage by introducing Louise and how we met in Chapter 2, Chapters 3 through 13 recount the review she and I conducted of her journey growing her business over these past three years.

Rather than setting a structured (read: textbook) format, I have chosen to let it flow, just as the conversation did when Louise and I did our three-year review in June 2014. We discuss the obstacles she faced (myths and misconceptions), shifts in her perspective, and introduce helpful tools as we explore her experience growing her company to the next level.

After the review in Chapters 3 through 13, we shift gears in Chapter 14 and identify what Louise needs to work on next to maintain the momentum she has gained, and to take her business to yet another level of growth.

In the Afterword, I challenge you to change the way you think about how to grow your business. I challenge you to start asking questions, many of them, rather than simply looking for quick answers. This too is a perspective shift and a necessary one if you want to be successful in taking your business to the next level. There are many areas that need to be addressed when growing a business. Asking the right questions is the key. I also provide you with access to additional free resources for business growth available directly through our website at Kaizen Consulting. *Thinking big is not enough!*

I hope you enjoy the journey.

Michael Walsh
Kaizen Consulting Services Inc.

1 WHY THINKING BIG IS NOT ENOUGH

“You never become a howling success by just howling.”

Bob Harrington, Reverend and Motivational Speaker

We love thinking big.

It is very exciting! Entrepreneurs dream of a future that is brighter, and then we go and make it happen.

Business has the power to transform lives. We go into business with the idea of making a difference for others and for ourselves. We want to feel satisfaction, self-expression, and to contribute to the people around us. We want to build something that makes us proud.

Most of all, we want freedom.

We want the freedom to create, the freedom to choose, the freedom to engage with life on our own terms. We know that to get more freedom, we had better design and operate our business more effectively, with more profit.

More profit means more freedom. That's what we want, and to do that we need to get bigger.

We have all had a job before getting into our own businesses, and we have felt the constraints that are present in working for others—living life on their terms. There's definitely not much freedom in that.

We dream about a better life, and we set out to do something about it. We either build from scratch, or we buy into a business, then we're ready to go.

We hear of stories of entrepreneurs who make it big. Whether it is Steve Jobs and Steve Wozniak, or Bill Gates and Paul Allen, or Sir Richard Branson, we see these larger-than-life characters and we go for it.

The energy of thinking big is very alluring. Whether it is a big business—Apple, Microsoft, Virgin—or a big idea—stop global warming, eradicate oppression, save the world—we know that business is where we can make things happen. In business, we have the freedom to create whatever we can dream.

We each have our own version of thinking big. Another term for that is Vision.

VISION

Vision has very fast energy. This is our passion, our inspiration, our intuitive sense, our purpose in business and in life.

This is the energy of thinking big.

Any of the 20+ million people who have seen the video of Simon Sinek's 2009 TED Talk, *How Great Leaders Inspire Action*, have watched Sinek describe a simple model for clarifying our Vision, followed by three compelling examples of inspirational leadership in action. His message is simple: People do not buy what you do; they buy WHY you do it. We see this video and become inspired to start looking for and sharing our "Why"—the core reason for our existence. Vision is powerful. I have

seen that video a number of times, and each time it reaches into me and sets my passion burning.

Yes, with Vision, we can make things happen.

It is no wonder that we migrate to the notion of thinking big. With all the passion that gets unleashed, we can make lots happen, very quickly.

What is it about Vision that ignites our passions?

Vision = Limbic Energy

The circulation system in the body is a closed system. Our blood flows within us, but not beyond us (at least not if we are healthy!). If I met you for a coffee, and if I had some sort of blood disorder (thankfully, I don't), you couldn't catch the disorder by sitting across from me at a table. That is because my circulatory system is a closed system. Yours is too.

The limbic system, on the other hand, is an open system. If you walked into a room full of friends and colleagues who were laughing and joking around, you may soon find yourself laughing as well. Or if they were very somber and sad, you might find your mood growing darker. Both good and bad moods can be contagious.

The limbic system is tied directly to our emotions. Unlike the circulatory system, the limbic system is open and subject to the influence of others.

That's what makes powerful leadership so inspiring. A compelling leader can influence us by tapping into our emotions. We get excited very quickly.

Notice that we don't even have to be in the same room as the other person to have our emotions tapped. We can see a video (like a motivational TED talk), read a book, or watch a great movie.

A really good movie is one that takes us on an emotional journey. If the film-makers have done their job well, we may

laugh at times, we may cry at others, and we will be holding our breath at suspenseful moments. This is limbic energy in action.

Since our emotions can be fired up so quickly, when we think big thoughts for our business, it gives us access to that limbic energy—that passion, that inspiration, that intuition, and that purpose. That's what allows the energy of Vision to move so incredibly fast. The energy of Vision has us feeling like anything is possible!

Yet, no matter how alluring Vision is, it is only half of the story. Without Structure to support our Vision, either chaos is created or our vision falls flat.

Vision without Structure creates chaos or it falls flat.

STRUCTURE

Structure is the other side of the equation. Where Vision has very fast energy, Structure has very slow, stable energy. Where Vision is the energy of emotion, Structure is the energy of logic.

Within our businesses, Structure may take on many forms. Our processes, our systems, our procedures, our methods, and the supports that back us up are all structural forms of energy. Structures form the underpinnings of our businesses, without which, our Visions would be worthless.

That said; Structure without Vision is like slogging through the mud. It is very constraining and not much fun.

Structure without Vision is like slogging through the mud.

Yet, when we come under attack in our business or face major adversity, many of us dump Vision and head into what appears to be the safe protection of Structure.

Then we wonder why business just got so much harder!

To be effective in business, we need both Vision and Structure

working for us consistently. Both emotion and logic. Vision is the easy, intuitive part. The hard part, requiring conscious thought and discipline, is Structure.

THE CHALLENGE OF GROWING A BUSINESS

Owning, operating, and growing a business presents big challenges. Unfortunately, many of us have trouble tapping the riches that lie within our companies to achieve that growth.

Why is that?

The reason is that multiple things are going on at any given time and we aren't always prepared or positioned to deal with them all. Sometimes we need to address only a few of them; sometimes we need to address all of them at once.

To understand this more fully, let's explore this in more depth.

RUNNING A BUSINESS IS A BALANCING ACT

When we work for someone else, we produce and deliver products and services for the company in which we work. Our job involves juggling a number of variables in the process of producing and delivering those products—a balancing act.

Imagine I am an architect. There are a great number of complexities in this role. As an architect, I would have multiple variables to deal with in delivering my craft to the company's clients where I work.

There are the elements of building design, city zoning requirements, and the building code for whatever municipality will host the new building. Then there is the task of integrating my design with the work of the consulting engineers and other specialists involved in the design process. Once working drawings are completed, submitted to the municipality, and approved, there is the process of tendering the work to

contractors, one of whom will build the building that has been designed. Oversight is then needed, to ensure that what was designed is what gets built.

It could be said that this is like a plate spinning on a stick. Many different variables need to be addressed to be successful within this or any complex profession (see Figure 1.1).

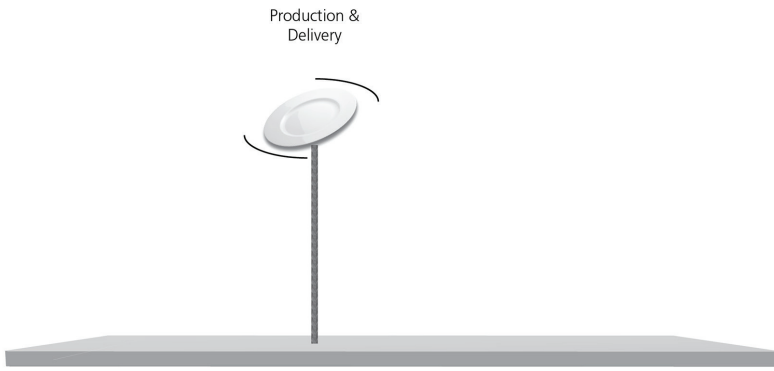


Figure 1.1 - A spinning plate on a stick, balanced on a foundation of knowledge and skills—the task of anyone with a complex profession or job. Deliver something of value either to or on behalf of the Boss.

However, when running a business, there is much more occurring than just getting the job done.

1. There is the process of finding and enticing customers to buy from us—to use our company to fill their need for products or services (Sales and Marketing).
2. Then there is the process of providing a product or service, and delivering it as promised. This is the foundation of many small to medium-sized businesses. We learned how to provide a product or service while working for someone else. Then, at some point, we decided to step out on our own, either alone or with others, to try our hand at doing this independently (Production and Delivery).

3. Of course, we can't forget the process of dealing with the fiscal aspects of the business. This involves everything from pricing high enough to make money, yet low enough to keep our customers coming back; to setting terms for collection; to tracking our cash flows in order to keep us funded well enough to meet payroll, while keeping our suppliers happy; to covering our government remittances and having something left over for ourselves (The Money).
4. In addition, there is the human resources component to this ... our staff members. For many of us, this is the trickiest part of all. This includes everything from hiring the right people for us, to getting them trained and up to speed, and getting them to do what we need them to do when we need it done. There is also the task of keeping them happy, so that after all that work of finding and training them, they don't just leave and go to work for our competitor (The People).

Regardless of how complicated the core product or service is, running a business that delivers that product or service is even more challenging, as illustrated in Figure 1.2.

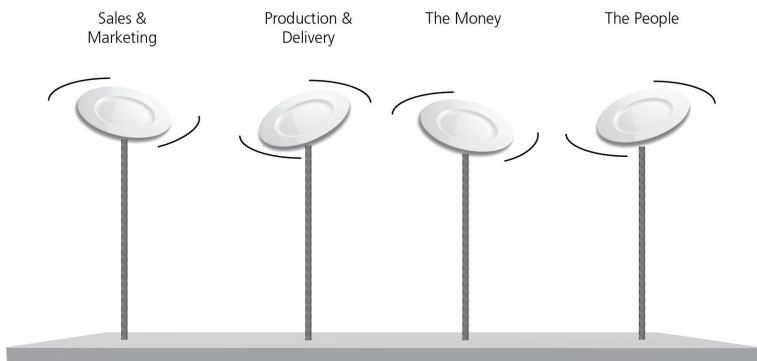


Figure 1.2 - Four spinning plates on sticks, balanced on our foundation. This gets closer to what it takes to deal with the different aspects of running a business.

As an architect, I conceptualize, design, coordinate, draw, approve, submit, oversee, and more until the building is finally completed. Then my job is done and we hope the building will stand for fifty years or more.

This is simply not the case with a business. In addition to those four plates spinning, there is another variable at play.

5. As business owners, we operate in a constantly shifting marketplace, where technological advances, evolving ways in how our customers access products and services, and new ways of attracting and doing business keep many aspects of our business shifting in ways we rarely anticipate. This is like constructing a building on ground that keeps shifting even after we have finished construction. The job is never done (The Marketplace).

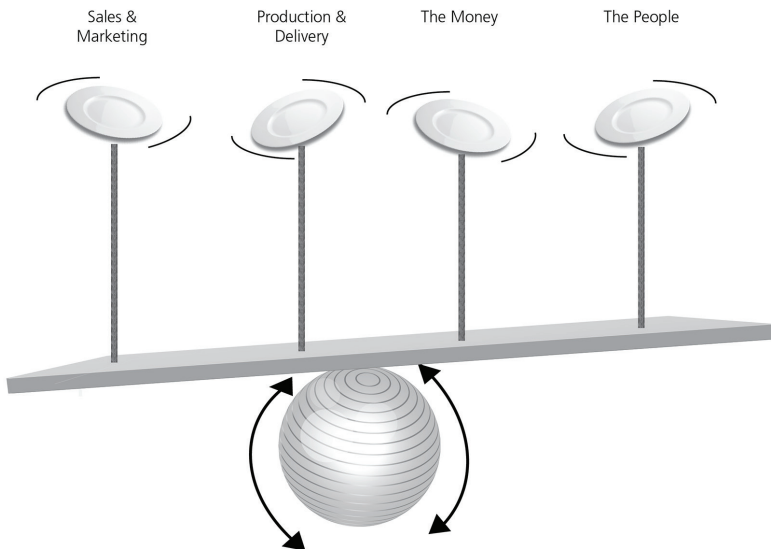


Figure 1.3 - Four spinning plates on sticks, balanced on our foundation that is teetering on a ball that moves. Now THIS is what it is like to operate a business in the constantly shifting dynamics of the marketplace.

This is closer to what it is really like to operate a business!

Yes, finding and maintaining that ongoing balance among all these constantly shifting parameters is quite a challenge.

It is this complexity within a constantly changing environment that is the dynamic that makes starting, operating, and growing a business challenging.

If I were that architect, my studies would not have prepared me for what it takes to run and grow an architectural business. The architectural school's mandate is to teach me how to become a solid architect, informed in the ways of architecture, not business.

Business schools help us learn the general principles of business. However, they usually focus on how to think about business, and on big business models, not small to medium enterprises. Public companies have data readily available. Private companies don't. Further, the best business schools provide us with generalities and principles, not the nuances that we will have to learn and use in our industry and with the regional differences we each face.

No, there really is no place to go to get a practical education about growing a business ... other than the marketplace itself.

Some people get into business with the support and guidance of a mentor, such as with a business that is passed down from a parent to a child. Others need to fend for themselves and figure it out along the way.

Despite the challenges of starting a business, many of us actually find a way to operate and grow a business to a certain level. We find a way to strike a balance among all the competing elements involved in operating a profitable enterprise. However, it is not unusual to see business owners settle in at certain levels of sales—plateaus—past which they find it hard to scale.

That plateau could be at half a million in sales per year, it might be at one million or two million per year. For other companies the plateau might even be at ten million or more in

annual sales. Most of us hit one of these plateaus at some point, and then we seem to get stuck there.

We soon discover that if we want to grow beyond that level—beyond the plateau—the previous balance we had achieved and felt comfortable with pretty much goes out the window!

GROWING A BUSINESS IS AN ART

After overcoming all the hurdles to establish a viable, functioning company, we push for growth. There are a number of factors that may be driving us to grow:

- We have reached a plateau and want to move beyond it.
- One or more of the elements of our current business is out of balance and we hope that growth will help us get it back.
- We are doing so at the insistence of our key customers. If we can't handle their evolving needs, they will be forced to take their business elsewhere.
- We are doing so for our own hunger for what is available at new and higher levels. Thinking big is very alluring.
- We haven't yet reached our goals. We have further to go, to get what we want.

So we grow.

And when we grow, many of the norms we have established and the rules we have set for ourselves for balancing the competing priorities no longer apply. Most of what we learned to hit the balance point at our current level stops working when we try to move to that next level. We need to find the new balance point. We need to find new ways of doing things and a new perspective.

The Good News: More Businesses Survive!

We've all heard that most businesses don't survive past the first

five years. The most common statistic that was being thrown around twenty years ago was that only 15 percent of all new businesses were still operating five years after inception.

According to government statistics, more businesses are succeeding now than ever before. The number of businesses that survive beyond the first five years has grown to around 45 percent on average.¹ That is a significant change and worth celebrating.

Growth Can Be Tricky

Yet large-scale business growth is another matter. Based on data extrapolated from information available through the US Small Business Administration Advocacy and the 2011 US Census:

- Eighty-five percent of all businesses within the United States never reach \$1 million in sales.
- Of those that do reach the \$1 million mark, 95 percent of them never hit \$5 million.
- Of those companies that achieve \$5 million in sales, 98 percent of these companies never reach \$10 million in annual revenues.

The numbers are similar in other countries throughout the world. While business survival is on the upswing, the odds of significant business growth are still very slim.

There is no doubt about it. Growing a business is tricky.

Imagine spinning all those plates, balancing on the ever-shifting market conditions, all while trying to add more plates and trying to move forward!

That's why it can be a handful. However ...

¹United States Small Business Profile, U.S. Small Business Administration, Office of Advocacy, 2014.

GROWTH IS POSSIBLE!

Although the number of businesses that grow to become large companies is relatively small, it does happen. We do hear of the success stories; some people do succeed in achieving large-scale growth for their businesses. Remember, every big business was small once. For optimists like us, that is good news. As entrepreneurs, we are used to going up against such odds.

If we can understand and overcome the obstacles that stop us from achieving our goals for growth, maybe we *can* get what we want from our businesses after all!

In order to overcome these obstacles, we need to be aware of the many myths and misconceptions about scaling a business out there in the business world. These well-intentioned, albeit misguided, notions actually get in our way rather than help us.

It is only by sorting fact from fiction that we may scale the hurdles to growth and achieve the goals we set for our businesses and ourselves.

While each of us will find our own path, adopting good strategies and avoiding the well-intentioned bad advice that is out there is essential.



In this book, we explore the experiences of one entrepreneur as she and I review her three-year journey along the path to large-scale business growth and development for herself, her staff, and her company.

Louise Pasterfield, an ambitious woman from Plymouth, England and creator of an enterprising elearning company called Sponge UK has started to figure out fact from fiction.

She shares her story with us: the obstacles she faced, discoveries she made, shifts in her perspective as she grew, and many of the specific tips and tools she has acquired and is using in support of her quest for growth, profit, and freedom.

Now, let's go to England!



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2 TO ENGLAND!

“A ship is safe in harbor, but that’s not what ships are for.”
John A. Shedd, *Salt from My Attic*, 1928.

As the Heathrow Express pulled into London’s Paddington Train Station this past summer, I recalled the first time I had travelled here from my home in Vancouver, Canada, three years earlier. I wasn’t quite sure what to expect on that, my first visit to the UK.

I had only been to Europe once, ten years before that, and never to England. The train system certainly seemed efficient and comfortable and a great alternative to trying to navigate my way in a car down the left side of the roads in this country.

There was so much that was different about England: the architecture, the culture, people’s accents, the driving.

Would business be different here too?

I have started, grown, and sold businesses in Toronto, Canada. Then for the past two decades, I have supported clients throughout North America from my business consulting firm

based in Vancouver and Chicago. Over the years, I have found that despite cultural and geographical differences, as well as varying economic conditions, people in business seem to have similar goals, concerns, opportunities, issues, and challenges.

I expected, and counted on the fundamentals being the same in Europe as well. In hindsight, while there were a few differences—like employee-to-sales ratios with different currencies—most of what I have encountered over the past three years has been no more different between North America and Europe than the variances between differing industries within the same economy.

All businesses have one thing in common. They are all owned, operated, and staffed by people, in service of their customers and clients, who are also people.

MEET LOUISE PASTERFIELD

Louise Pasterfield owns a company, Sponge UK, that was originally a spin-out company of Gusto Creative, a small design and marketing agency that Louise and her husband Mark had owned and operated for some time. In 2003, Mark was no longer active in the business due to an ongoing health problem. Louise found herself running the company with her adult daughter, Kate, and about six staff. Revenues in Gusto Creative had settled in at £250,000 per annum. (For those unfamiliar with the British Pound, £1 has been roughly equivalent to \$1.60 US dollars over the past ten years.)

After winning a large learning contract from the government, Louise became interested in online learning. She had become bored with design in marketing. After doing that for twenty years, it no longer got her excited. She began exploring online learning opportunities, meeting with a number of elearning experts. It gave her the idea to start Sponge a year later, in 2004. Sponge was launched as a company to provide bespoke

elearning solutions (online learning modules) for its clients. All of the staff underwent training in elearning software, and the company continued to gain ground.

Then in 2010, the worldwide financial collapse caught up with Sponge. Despite Sponge having a relatively strong year (about £400,000 per annum in revenues with ten staff that included Louise and her daughter, Kate), the bank cut their overdraft line of credit in half, due to the prolonged recession.

Louise always thought Sponge had huge potential, and she really wanted to grow the business. That's when she started to look for books and articles online about how to grow a business.

FIRST CONTACT

When I think back to how I first connected with Louise, I remember that it almost didn't happen, except for her persistence. Out of the blue, I received an email from a woman in England, of all places. This woman was asking for help with the growth of her small business.

I have periodically received requests and email inquiries from people from countries outside Canada or the US, but usually they had been from people who were interested in either taking our Consultant Training, or others who wanted jobs in consulting. We seemed to get inquiries about once per month from people on different continents. Back in 2011, we were not set up to support or collaborate with people outside of North America.

Treating this email from England as being of the same nature, I briefly considered it and then promptly forgot about it.

However, a week later, I received a follow-up email from Louise. "I'm not sure if you received my previous correspondence from last week, so I thought I would write to you again ... Might we set up a WebEx call?"

Based on this woman's persistence, and feeling a little

sheepish for ignoring her earlier request, I replied and we set up the call. Louise and Kate had a full presentation ready for me in PowerPoint, sharing the company's financial history, a background on their services—developing elearning modules for other companies throughout Europe—as well as their hopes for the future and the challenges they faced.

When I asked Louise how she found me, she explained, “I came across some of the articles which you had written, and they intrigued me. They weren't the usual old regurgitated stuff I often find online. It was clear you understood the challenges of owning a small business, and wanting to be bigger. So I ordered and read your book, which impressed me further.²

“I found it unusual and refreshing. One of the things you said, for example, was that to achieve large-scale growth in your business, you had to have a fundamental respect for people. That was one of the items listed in your criteria to scale a company—very unusual for a consultant to say, but it makes total sense.

“I also liked your insistence in taking enough time off and having regular breaks and holidays, not as a reward, but as a requirement to properly grow the business. That was refreshing to hear!

“Working my way through the book, I became more convinced that it really was possible to grow the business, but I knew I would need some help. At the end of the book was an invitation to contact you, so I did, and here we are.”

MY FIRST IMPRESSIONS

Other than potential geographic and logistical challenges, everything Louise and Kate expressed on that WebEx call was

²Walsh, Michael G. *Business Growth by Design: A Business Owner's Guide To Tapping Your Potential Without Getting Tapped Out*. Vancouver, BC: Kaizen Consulting Services Inc. 2010.

similar to many of the smaller clients we have assisted in their efforts to grow and prosper.

Louise, age fifty-two at the time, had lots of heart and plenty of smarts, as well as a well-established working business, but she didn't quite know how to take it to the next level of growth.

At that time, I was working almost exclusively either live one-to-one with business owners and their key staff, or with a combination of live work and consistent telephone support between visits. The hurdle of a nine-hour overseas flight with an eight-hour time difference still lay in our path, blocking any potential to work together.

However, one of our core values at Kaizen is "Dare to venture." I figured, nothing ventured, nothing gained.

So I said to Louise, "Well, I have never been to England before. If you cover expenses, I will waive my fees for this visit, and I will come over and invest a few days in assisting you in the growth of your business. We can treat it like a test-drive of a potential working arrangement. My promise to you is that you will gain value well in excess of your time and expense reimbursement investment. From my side, I can always combine it with a holiday over there, so we can both win, regardless of what the future holds."

I knew I could help Louise out during our planned few days together. However, neither she nor I had any idea what a working relationship might look like if we decided there was good synergy between us. The only real question left for me was whether we could work well together. For that, I would want to meet her team and get a feel for how she operates with her people. That would tell me what I needed to know about whether she could work with me, and vice versa. We invest far too much time working directly with clients to enter into arrangements before we know that we will work well together.

I had done these types of "test-drive" trips before, usually for one to two days, and always within North America. In those

cases, if the fit was right, I could see the potential of working together since travel was far less of an issue when staying on the same continent.

Despite the uncertainty of what might follow, the arrangement sounded reasonable to Louise as well, so she agreed and we set up plans for my trip to England.

PADDINGTON TRAIN STATION - JUNE 2011

I met Louise in person for the first time on the platform at London's Paddington Train Station in June 2011.

I had taken the Heathrow Express to Paddington, with my luggage in tow, including my banjo, neatly tucked in its case. I had recently taken up this instrument, and I discovered that if I didn't keep practicing daily—even during travel—any gains would quickly be lost. I figured I would have time to practice in the evenings. I have found this to be a valuable method to settle down and relax after a long day of client meetings.

As I approached the end of the platform after leaving the shuttle train, I saw a sophisticated looking woman clutching something in her hand and scanning the crowd expectantly. Drawing closer, I recognized the item she held ... my book! It was then that I knew that this was the person who was there to greet me, accompany me on the three-and-a-half hour commute by rail to the Southwest English town of Plymouth, and with whom I would be working over the next several days.

All I had known about Plymouth before this trip was that it was the place in England from where the pilgrims first sailed to America aboard the *Mayflower*.

"I didn't know if I would recognize you from this little picture," Louise said with a triumphant grin, while holding up the book. She did a bit of a double take at the banjo case and asked me about it. After I filled her in, she let it drop, but only after looking at it inquisitively.

We started the process of getting to know each other over a quick bite of lunch. Then at my prompting, Louise gave me a bit more background on herself. She was originally born in the United States, and moved to the UK to go to university. That was when she met Mark, to whom she has been married for over three decades.

Mark and Louise have three children, all girls. In addition to Kate, there is also Laura and Nicola, each in their twenties at that time. I could tell by meeting her that Louise was, above all else, a mother. She was committed to the care of those around her. She made sure that I was properly acclimated to my new surroundings.

After lunch we boarded the train to Plymouth and we were on our way.

Within five minutes of the train's departure, I started.

"Are you ready to begin?" I asked.

Louise was a bit surprised by this, but happily agreed.

I guess she expected me to nod off on the trip to Plymouth, which I eventually did toward the end of our train ride, but not until I had her participate in a couple of key exercises, and after I got to know her a bit better.

I was not aware that this train ride, exercises, and polite conversation would be the start of a major growth campaign by a woman with a quiet drive and determination that was exceeded only by her positive spirit and supportive nature.

THREE YEARS LATER: BACK IN THE UK

Fast-forward to June 2014. I'm back in the UK, for my fourth trip since we started. We are beginning our review of the past three years of working together: noticing what levels of growth have been achieved, the changes in the staff, and the growth of the company in general.

With a current staff of twenty-nine people, Louise knows that

the company will generate £2,000,000 in revenues this calendar year, which represents a five-fold growth from four years ago, the year before we started working together. She was really hoping to push sales to £2,400,000 to achieve a six-fold increase within that four-year period, but she knows that would have been a stretch with current staffing levels.

More important than that, Louise says that she is having the time of her life. She has never had as much fun in business. She is constantly learning new things. She is dealing with more substantive challenges than ever before, and she is really excited about the future.

The company's net income this year will far exceed her gross revenues from four years ago. With the help of Matt, the company's part-time CFO (Chief Financial Officer), Sponge has been growing its financial reserves. This is good, since Louise wants to reinvest by adding significantly to her staff and adding other resources to take her company to a new level.

In fact, what this current visit to the UK is about is to support Louise in setting up the company to take the leap from her current level of £2 million per annum to £10+ million, a goal she is certain is achievable within the next three to four years. Then, she wants to grow it to £20 million and beyond—a seven-year goal—before stepping down and handing the reins to someone else.

“You know, Michael,” said Louise, “even though we initially started three years ago by talking about growing a much larger company, I didn't really believe it was actually achievable at this level. I knew that theoretically it was possible, and I thought it would be great if I got there, but I didn't get it at the time.”

“Not that I told you that,” she added with a smirk.

Louise continued.

“My real goal—the one I thought I could achieve—was to build the company up to £1 million per year in sales. Yet, you could see so much more, so clearly.

“Don’t get me wrong,” she added. “I wanted everything we have planned and achieved. I was just surprised that I didn’t see it before.”

“So Louise,” I asked, “what changed that allowed you and your team to generate these results in your business?”

She thought about that for a minute before responding.

Finally she said, “With your help, I have had a lot of shifts in perspectives in a number of areas of the business. There are a lot of myths and misconceptions out there that we company owners believe to be true. All they do is limit us in getting what we want from our business. It is tricky enough to grow a business without these misguided notions getting in our way.

“My perspectives have changed in so many ways. I have always been willing to work hard, and to do what it takes to reach my goals. But I think very differently about business and growing now, than I did three years ago.

“After achieving what my team and I have accomplished over these past three to four years, I know that it is realistically possible to grow a business substantially, without killing myself or completely losing my freedom over it. In fact, it has been really fun and very rewarding.

“I’m still amazed that we will be five times bigger by the end of this year than we were only four short years ago.”

“That’s very exciting, Louise!”

“Exactly! And you know what?” she added. “We’re just getting started!”

“I believe it. So why do you think that more business owners don’t do it?” I asked.

Louise paused, considered my question, and then responded.

“Because owners don’t know how to go about it,” she said. “It’s kind of like seeing a wonderful vision in the sky above you, but no ladder to connect you from the earth to the sky. People only know what they know and growing a business can feel a bit like stepping into the unknown if there is no structure in place. It

can be scary and takes courage. It also takes a shift in mindset and different actions from what most people do ... certainly different from what I was doing four years ago. And I know that I will have to shift again, moving forward, to achieve the next level of growth for the company.”

“Yes, you will,” I responded, acknowledging the continually changing growth path. “The good news is that with those shifts, you *really can* get what you want from your business.”

“I agree,” she said. “Most business owners that I know don’t do it. We don’t see the natural traps that are there, so we fall right into them, and then we get stuck.

“I have had to rethink almost every major part of my business to achieve the level of growth we have seen,” she added.

THINKING BIG IS NOT ENOUGH

Many entrepreneurs believe that to grow a company really big, you just need to think in much bigger terms. If only that were true! There is much more to growth than that.

“It does take a different mindset to generate large-scale growth,” I asserted. “Thinking big is not enough.

“What I find is that business owners work really hard, and their businesses grow to a certain level. That’s when they start to hit a wall, where everything just seems to get harder. They either end up on a plateau, or on a bit of a roller coaster, with sales going up and down.”

“I have seen and felt that,” Louise commented. “It seems that many owners either fear growth, having tried it and run into huge obstacles, or they just get tired of the constant issues and swings that hit them as they try to scale things.”

“You got that right,” I said.

“There is also no silver bullet,” she added. “At least I haven’t found one.”

BUSINESS GROWTH: THREE COMMON STRATEGIES

Growing a business can be tricky. There are multiple moving parts. When Louise had first gone looking for information and support, she knew she needed outside help and wanted to find the right resources for herself and her company.

She had found many people in the market purporting to be business growth experts who, in reality, didn't know what it was like to grow a business from the ground up.

These experts were in many ways, the “one plate spinner” consultants referred to in Chapter 1, with experience in only one particular area. Louise and Kate had interviewed advisor experts who were ex-bank managers, ex-marketing managers, and successful big-business people who came from large organizations. She felt they only had a partial view or a skewed view of what it was like within a small and growing business. Therefore, she found that their advice was only of limited value to her in her situation.

“When I was looking for possible resources, before we first connected,” said Louise, “I found that much of what was available fell into three categories of advice on business growth.”

“And what were these?” I asked.

The Silver Bullet

“The first type is what I call ‘The Silver Bullet,’” Louise explained. “Here is the magic formula, the secret to a business owner’s issues. Follow this formula and everything will work brilliantly!”

“But I thought you just said you haven’t found a silver bullet yet,” I commented.

“I haven’t,” she said. “But that doesn’t mean that those theories aren’t out there, purporting to do magic. When I mentally

applied them to what we were doing at Sponge, I knew they just wouldn't work for my business."

"Well," I observed, "sometimes a formula does work, and it certainly worked for the proponent of that particular system, whatever it may be. However, since each person and each business is unique, it doesn't work all the time. Hence, it's not really a silver bullet."

"Exactly!" Louise said.

"Don't get me wrong," she added. "There's a lot of good information out there. It just gets to be so much, it can be confusing. If it doesn't fit, it can be a waste of time and resources."

"So what are the other types of advice you came across?" I asked.

Armageddon Theory

Louise continued. "The second type is the 'Armageddon Theory.' According to the advice in this category, everything you have done or learned so far in business is now wrong, and needs to be blown up or otherwise discarded, because in this new environment, here is the new reality of life, or the 'Real Truth.' This is usually accompanied by a 'silver bullet' strategy or formula that we just talked about.

"I must admit that after the recession, when the bank cut our line of credit in half, I was wondering if everything had permanently changed."

"Sometimes there are permanent changes that occur," I said.

Louise agreed. "But even as the world changes, there are always ways to move forward and make things work. If I accepted that my previous experience was useless because of some new reality, then I would be left just looking for that silver bullet again, and I don't think it exists. Or I should get out of business altogether, and I'm certainly not ready to do that!"

"So what was the third type you encountered?" I asked.

Half Truths Presented as Truths

“This was the most interesting of them all,” she said. “This is what I call ‘Half Truths Presented as Truths.’”

“Have you got an example of that one?” I asked.

“Sure,” she said. “Do what you love and the money will follow. Just follow your passion and it will all work out.’ The ‘follow your passion’ formula is very popular, and to an extent it makes sense, unless it is presented as the complete picture.

“I recently got into a conversation with a woman who owned a small business, who had doubts about this theory after trying it. She had been struggling in her business, and after reading all about following her passion, she started focusing on just one aspect of her business—making the product itself. That’s what she loved to do.

“Needless to say, even though she found that part of the experience quite rewarding, her business suffered from her lack of focus on sales and on cash flow. To make a long story short, the money didn’t follow. Instead, the money went away, and so did her business.”

“I get the point,” I replied. “Clearly, incomplete theories can either lead people astray, or they lack credibility and don’t get implemented, merely because they are incomplete.

“To achieve success in business, it really is more about shifting a large number of little things in a variety of different areas that add up to making a big collective difference.”

“Yes,” she agreed. “Like what we have built here at Sponge: more sales, more profits, and a happy, productive, engaged team of great people making a difference for our customers.”

“The work we have done together so far has worked for you, Louise,” I stated. “Into which of the three categories would you place our work?”

“I think that you are in a fourth category,” she said. “Let me think about that and get back to you.”

“I look forward to hearing your thoughts on that,” I commented, smiling.

THE THREE-YEAR REVIEW: GETTING STARTED

With this visit, Louise really wanted to paint the picture for her next level of growth. In order to accomplish this, I suggested that we review what had been accomplished over the past three years. This would provide her with the foundation she would need to take the next steps.

“Michael, there have been so many changes that we have made, it may be hard to review them all,” Louise commented. “Let’s do this methodically.”

She added, “I would suggest that we look at it from the perspective of one of the business models that we have used as we have grown, breaking down each of the pieces, but we have used a few different versions of business models as we have grown over the past few years, and that might get confusing.”

“Why do you have different business models, anyway?” she asked me. “Don’t most consultants have just one formula to follow?”

I chuckled. “Louise, if I were to just go with a single formula, wouldn’t that just be a different ‘silver bullet’?”

DIFFERENT SIZED BUSINESSES NEED DIFFERENT MODELS

I went on to explain why there is no one formula that works for all businesses and why I use different business models for different sized businesses.

“Different businesses are all different sizes, and different dynamics apply at each stage of development,” I stated. “We have one approach for the micro-business, another one for a

company that is a bit bigger, and it continues to evolve through the varying sizes of businesses we support, including very different strategies for businesses in the tens of millions in sales.

“Instead of making a company fit some arbitrary model, I have developed things in a modular format, and within each different area, there are differing levels of depth, for companies of differing sizes and circumstances. That way, we can meet our clients where they are, and we continue to be effective as an outside resource as they grow.”

“That sounds very complicated,” Louise said. “It didn’t feel like that to me as we worked through things. You basically just showed me a framework and we worked with it. But it wasn’t a step-by-step system. It was different somehow. You definitely brought structure to our conversations, but it felt to me to be more organic.”

“When I think of it,” I said, “I think back to my youngest child, Kathleen, who was extremely bright and also getting herself in trouble in school, even in Grade 1. It turns out that these two details were linked. Lots of gifted kids don’t want to sit still while others are learning, so they end up getting in trouble. When my wife and I discovered what the real issue was, we looked around, and found her a private school for gifted kids in town.

“There were twenty students in the whole school, and they varied from Grade 1 through Grade 7. Every student had gifts in different areas. As a result, at the school, they customized each subject for each child. So a Grade 3 student might have Grade 2 equivalent reading, but a Grade 12 equivalent capacity in math. By customizing every subject to each child, they could take scholastic competition away, and allow the children to otherwise learn to socialize normally. Kathleen excelled in that environment.”

“That sounds like an exceptional school!” Louise remarked.

“It was,” I agreed. “I figured that if they could do that for

a child's education, why couldn't I come up with a matrix of customized processes for businesses developed in layered modules. By building our processes in this way, we can meet owners where they are at, rather than making them contort to a formula that may not fit. Also, we can train our consultants on how to go to their clients where they are at as well.

"The whole idea behind our modular approach has been to make it simple for you, while still being relevant to exactly where your business is, at different times. It's a bit complicated for us, but by breaking things down, we have evolved our own systems to support that level of customization."

"I must admit that it has felt seamless to me over these past three years," commented Louise.

"The strategies we need to use with a company going from 30 million to 100 million," I continued, "are quite different from the tools that would be useful to a business growing from 2 million to 10 million. These are again different from those for a company of less than 1 million in sales."

"So Michael, is that in Dollars or Pounds Sterling?" Louise asked with a wry smile.

"If you keep going the way you intend, within the next few years you will have Kate opening up that New York office, and then you can have it in both currencies," I replied.

"I like that thought," she said. "Okay. Now I can tell you what that *fourth category* of business advice is. At least I can describe my experience of our work."

I waited, expectantly.

The Gardener

Louise went on to explain.

"There is a lot of information out there, and a number of people with a magic formula that we talked about. But there is a problem with a formula. It doesn't really take into account

in detail your situation and challenges. It is a bit like a doctor prescribing medicine when he hasn't understood the patient's problem thoroughly. It may be okay, but more likely it will be a formula for disaster.

"As we started working together, I realized you weren't about any formula but about creating the right conditions for growth—the right people, processes, and structures.

"Michael, your approach was more like a 'gardener' tending to a plant. Sometimes it needed more water, soil improver, or sun. And to a Master Gardener, each plant is a little bit different, and needs a little bit different level of care, based upon its unique needs.

"Your focus was on making continuous small improvements. And every little growth we experienced, we celebrated. Soon, these 'little growths' started to add up to 'big growths.' I don't know if that puts you in a different category, but that is what I experienced in our time together.

"I guess that makes it a bit difficult to do a systematic review," she added.

"Not at all," I said and offered Louise a possible approach for our review.

"If I had to summarize our work together, we have focused on a number of core aspects of business growth. However, these may easily fit into three basic categories. Let's review things from these three aspects:

- 1. the underlying structures of your business,**
- 2. your people, and**
- 3. sales and marketing."**

"Sounds like a plan," she said.

With that, Louise and I began our three-year review.

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SECTION 1: STRUCTURES

“Companies that grow for the sake of growth or that expand into areas outside their core business strategy often stumble. On the other hand, companies that build scale for the benefit of their customers and shareholders more often succeed over time.”

Jamie Dimon, President and CEO of JPMorgan Chase

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