

5 Challenges Successful, Growing Businesses Face Daily

Success in business brings with it new challenges for company owners and employees. We've outlined a few common hurdles that business leaders face as their start-ups become growing companies.



ROI GROUP
GUIDANCE, EDUCATION & STRATEGY



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While starting a business is among the riskiest decisions you'll make in your career, finding success with your business is among the greatest satisfactions. The rush of growing sales, selling more of a product or service, and watching your employees' confidence grow is unmatched.

But many business owners in the midst of positive growth and sales make the mistake of forgetting to take a step back to analyze weaknesses and continue planning for the future. The proverbial warning of "growing too fast" came to be for good reason.

We've outlined five common challenges that owners of small but successful companies typically make, as well as a few suggestions for how to handle them.

Using Time Wisely & Priority Setting

A start-up becomes a successful small company on the blood, sweat, and tears of its founder(s), and perhaps a few other key personnel. This team of hard-working, dedicated individuals makes the company go. Everyone has their role (or roles), and each person goes to bed and wakes up every day thinking about their job at hand.

As your company grows, new challenges arise. How do you scale to meet demand? What market factors could affect your longevity? Are competitors keeping up with your or adjusting their models?

You and your key personnel may have to shift how much time you spend on the tasks that got you to be successful, such as checking every unit before it leaves the facility, reviewing all orders, being the face of the company for every client. Hiring and training key people, or even re-adjusting roles, should be considered during the growth stage.

This can be a difficult pill to swallow, but without changing your priorities and balancing time spent on tasks versus growth you may run the risk of going from successful to semi-successful quickly.

Maintaining Current Operating & Transition Plans

We're afraid to ask, but do you have an operating agreement that outlines specifically what happens to your company and its assets if you die? Or if your co-founders/equity stakeholders die? Do their spouses or children attain equity rights?

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Obviously, this is not a fun topic to discuss, so you might not be surprised to learn that many business owners do not have current transition plans in place in the event of catastrophe. But from our experience, it's much better to have these uncomfortable conversations and make morbid decisions early on in a business than to not have a plan in place and watch court battles and other ugly scenarios play out later on.

Sound transition plans include clauses in the operating agreement, but also a look at insurance options such as life and disability options for founders and key employees. This is especially the case for members of successful small companies who each have a lot to lose if the unthinkable happens.

Client Dependence & Diversification

We've all seen the warnings thousands of times --- the ones that read "if 80% of your business comes from 20% of your clients, you run a major risk" and "if 50 percent of your business comes from 30 percent or less of your clients, an alarm should go off!" Great advice, but for small businesses who become successful, it's our experience that the success comes from a few key clients early on.

If you only have one or two large clients whose payments fund your business and pay you and your employees, you're more of an independent or sub-contractor. Simply understanding this aspect is important to understand, as is the fact that these "contracts" could dry up at any point.

"Diversifying your client base," or just calling it what it is, *sales*, is never easy. As the founder of a business, you probably sold someone somewhere along the line, whether investors, employees, or your parents. But if you want to run your business, hiring a hungry sales person to bang on doors is the most efficient way to continue growth.

Financial Discipline

While many business founders understand balance sheets and cap tables, many do not. Just because your business has seen some success does not mean that you (or the person in charge of your books) necessarily understands business finance.

Knowing how much is leaving your business is just as important as knowing how much is coming in and from whom. Yet many business owners that we work with are so head's down into the business that it's difficult to come up for air and think about the bigger financial picture.



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An additional challenge for business owners --- especially if the company is successful --- is financial discipline. Building cash reserves should be the first step for any business. It's naive to think that your success will keep exponentially compounding. While it seems rudimentary, using funds wisely --- especially during times of success --- can separate companies who succeed from those who fail. Be honest with yourself --- if you do not have a mind for and an understanding of business financials, do not put yourself in charge of the day-to-day expenditures and income.

Taking Care of Founders & Employees

Equity/bonus arrangements for key personnel and benefits for employees can be equally tricky and daunting for business founders. You might be the one with the great idea, but from our experience business leaders who understand that their ideas can only live and prosper with the help of others are the most successful.

At the executive level, you may feel uncomfortable about offering equity stakes or bonus options in your company, your baby. You may see it as money lost down the road. We prefer to see it as money gained down the road, as without many of these key people, minds, and relationships, your business might not ever be in the position to reap financial rewards.

At the employee level, you may feel turned off by benefits packages, perceiving them as expensive and not affordable by the business. But if you truly want to look out for your employees --- the people who keep your beast of a business moving --- there are options whereby they can have access to benefits that are of no cost to you, the business owner. If your business thrives, there are also additional company-sponsored options to help you hire and retain key talent who are helping your business be successful.

Learn More

We invite you to read our blog "The ROI Factor" at www.theroigroupllc.com/the-roi-factor, to learn more about these and other business issues.

If you are interested in a free, no obligation discussion with one of our experienced business advisors who have helped successful, growing companies reach the next level, please contact us at info@theroigroupllc.com.