

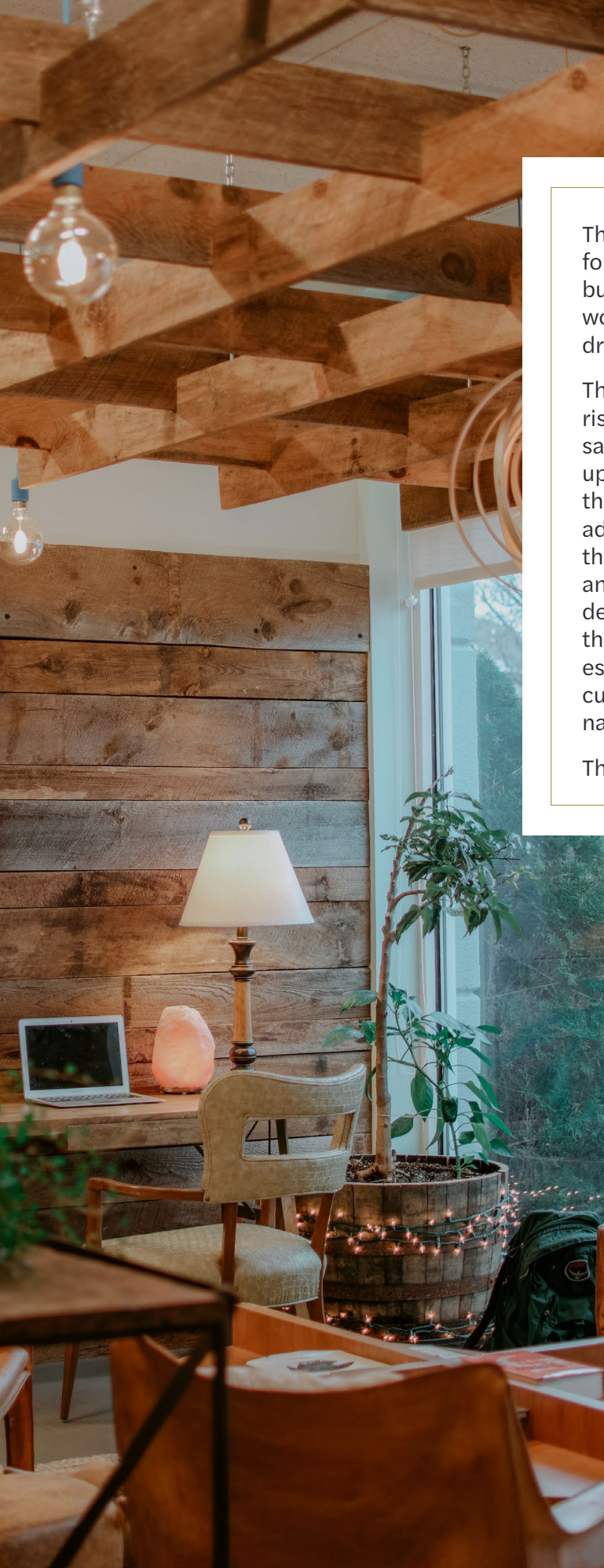
ADVANCED GROWTH AND THE BUSINESS FOUNDER(S):

A Help or a Hindrance?

There would be no business without the founder(s). They had the vision to set up the business in the first place, and the determination, work ethic and mental toughness to make the dream a success – it's their baby.

Their journey began with an idea, and often they risked everything and made significant personal sacrifices to make this idea a reality. The start-up period is largely about survival, and should they survive, they successfully move into the adolescent period, where they begin to build their reputation, team, and balance sheet, grow and become a successful, profitable business, delivering solutions to industry problems. As they enter their mature period, they have an established team, a great reputation, loyal customers, a healthy balance sheet, and they naturally begin to think, "what next?"

The journey is an emotional roller coaster.





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Everyone talks about what I've got, not what I've sacrificed.

EDWARD HOBART

Inside the head of a successful established business owner

I'm doing it!



Personal calling
 BUSY *Time Poverty*
Grindstone
 WORK WORK WORK
 Hard Worker *EXPERT*
WORKAHOLIC
Stretched
 anxious **TIRED**



What have I done?

Life is great!



At the top
TEAM LEADER
Decision maker
Problem solver
Goal driven
 MASTER JUGGLER
 Risk taker *Expert*
RESPONSIBLE
 Controlling
 Insecure *OCD*
 Lonely *MOODY*
BURNT OUT



I hate my life

I love everyone



Visionary
WINNER
 constantly
 preoccupied
Imposter syndrome
 TAX TAX TAX
 FRUSTRATED
 Neglecting your
 health & fitness
RESTLESS

Happy
Good leader
MENTOR
Meeting goals
 Charming
DOER
DEMANDING
 CONSTANT WORK
 Unpredictable
 Damaged
 WORK WORK
 Guilty



Why do I have to do everything?

It's going to be ok!



WEALTHY
Focused on goals
Survivor
TOYS
3am Moments
 FINANCIALS

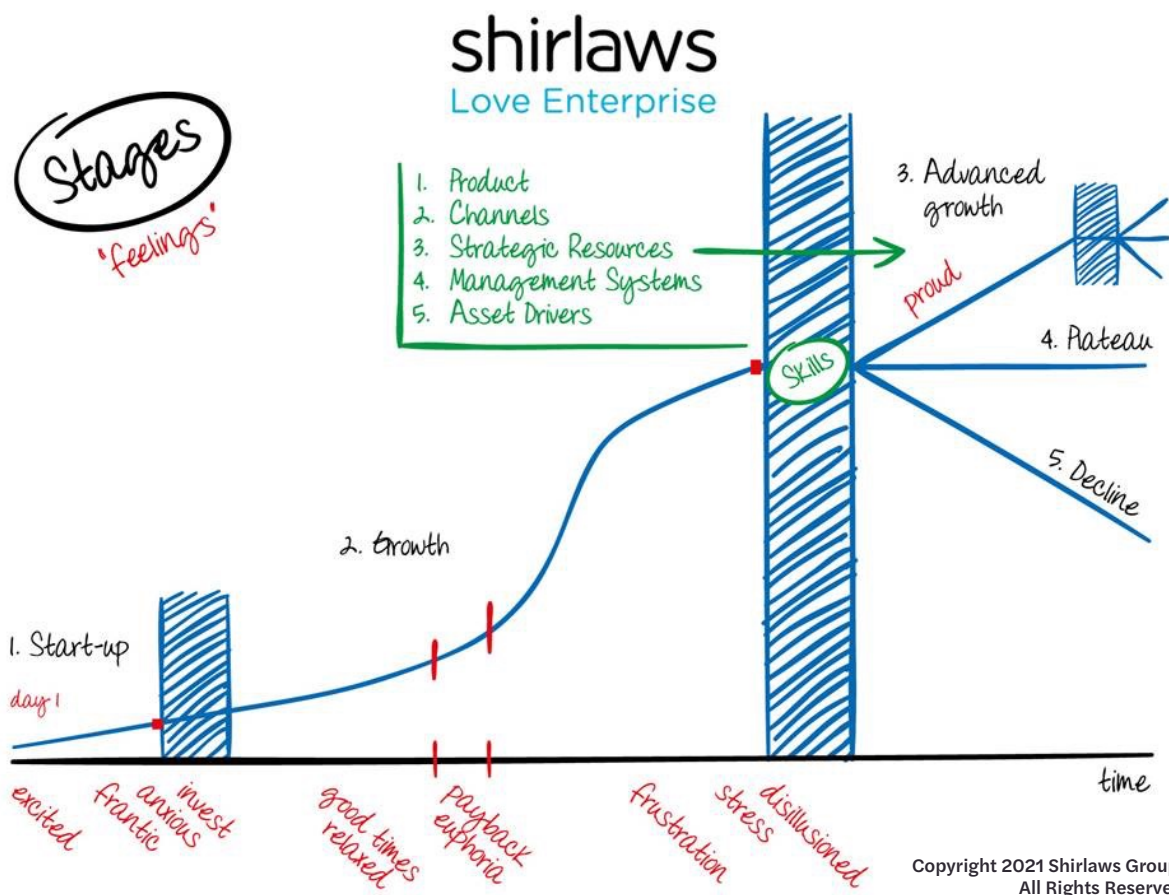
PHEW!
Balanced
Time management
High on your achievements

DELEGATOR
Efficacious
PROUD
Perfectionist
 COMPETITIVE
Impatient

Staff
 Customers
 Suppliers
 Jaded

If you have a good product solution and a service/sales to match, **growth is inevitable** if our founder(s) can find and lead the resources to feed it, again, and again, and again. Every few years there will be another ceiling to break through, and each time, you and your team will need the skills to move you up to this next level.

An example of a typical SME lifecycle



Of course, our founder(s) may not have the appetite, energy, and financial capacity for advanced growth. They may prefer to maintain the status quo, not venture outside their own comfort zones and the control that goes with it, and eventually exit via an MBO, family succession or a trade sale. And who can blame them? This is the route most follow. They may choose to downsize, moving into decline before the founder(s) retire and the business fizzles out.

Or they may choose advanced growth.

ADVANCED GROWTH

The advanced growth route is the focus of this article, where we assume the founder(s) have taken the business to the maturity stage, the business now has its own momentum, and the business will not just survive without them, but also thrive.

Advanced growth will seek 10X the current turnover, profit and capacity as fast as possible.

If this is the plan, is the founder(s) the right person to take the business onto the next level or do they end up spoiling their baby?

Let us start by questioning how they may spoil and **hinder** the growth of the business.

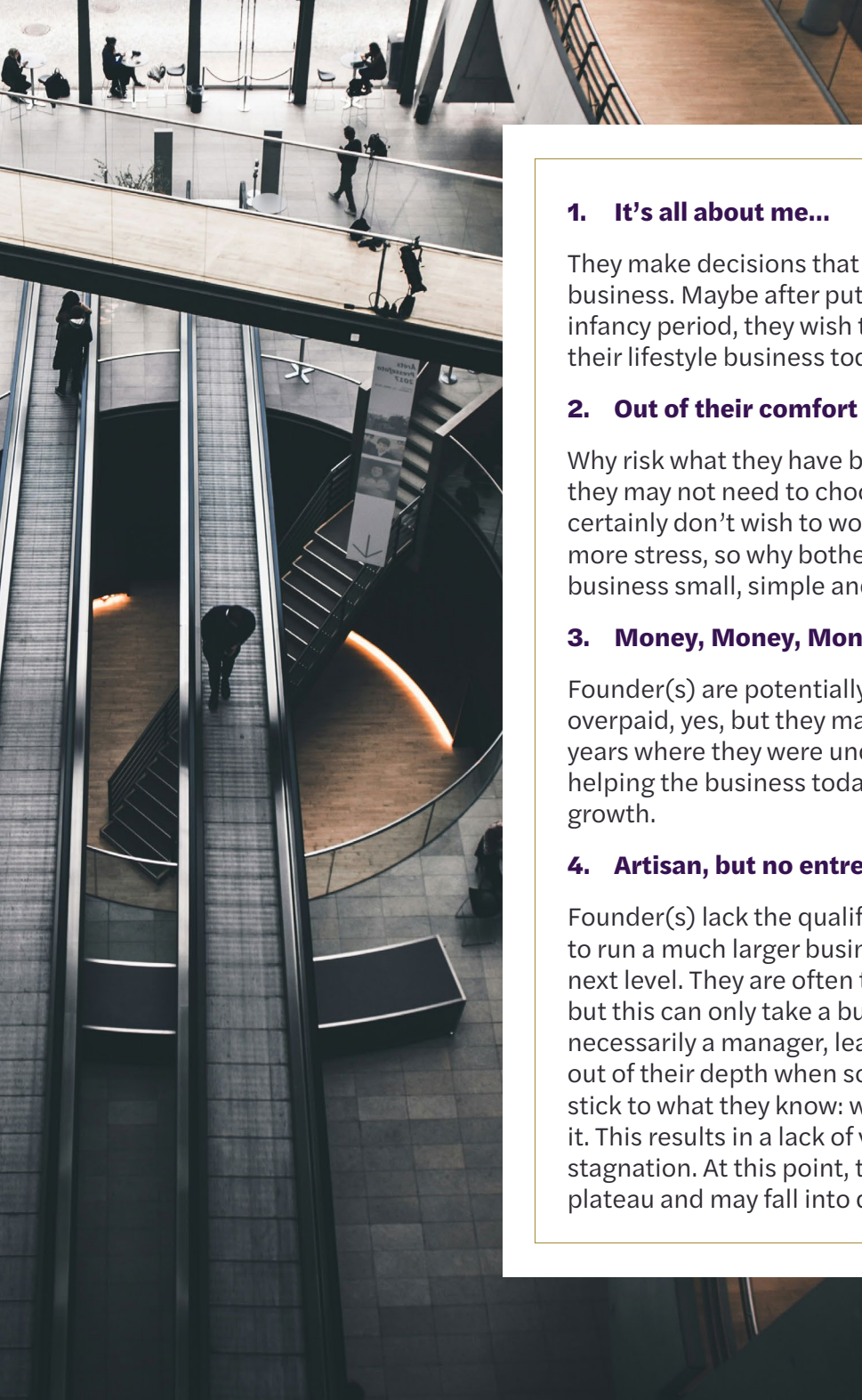
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Business owners are fairly unbalanced characters who manage in a strange mix of ways. It makes it difficult to explain to others how they are best placed to grow the business and eventually plan an exit to the business.

JOHN HIGGINBOTTOM – RETIRED BUSINESS OWNER

The Founder(s) hinders advanced growth because...

While founder(s) often possess a deep understanding of the company's vision, culture, and initial market fit, their skills and experience may not always align perfectly with the demands of scaling a business.



1. It's all about me...

They make decisions that benefit them personally, not the business. Maybe after putting everything at risk during the infancy period, they wish to reap the personal rewards of their lifestyle business today.

2. Out of their comfort zone..

Why risk what they have built and achieved? Financially, they may not need to choose advanced growth and certainly don't wish to work even harder and take on more stress, so why bother? They may prefer to keep the business small, simple and profitable to fund their lifestyle.

3. Money, Money, Money

Founder(s) are potentially an expensive resource – overpaid, yes, but they may be playing catch-up for all the years where they were underpaid. However, this is not helping the business today when cash could be spent on growth.

4. Artisan, but no entrepreneur

Founder(s) lack the qualifications and business acumen to run a much larger business, or indeed take it to the next level. They are often the artisan, good on the tools, but this can only take a business so far, and they are not necessarily a manager, leader or entrepreneur. They move out of their depth when scaling their business, so they stick to what they know: working in the business, not on it. This results in a lack of vision, direction and, inevitably, stagnation. At this point, the business has reached a plateau and may fall into decline.



5. Baggage

Have they kept up to date with and are they open to the latest practices and technologies, so they can push the business in the right direction? Change and improvement is a constant, otherwise complacency will result in decline and a slow death. What worked when they were in the business's infancy, adolescence, and maturity stage will not work as they enter advanced growth. Indeed, it's the definition of insanity: doing the same thing over and over again and expecting different results. Can they adapt? Some founder(s) can be stubbornly stuck in their ways, are no doubt battle-hardened with the scars to prove it, but what was okay back in the day will not work in today's world.

6. Heart ruling head

They are prone to making emotional decisions, not logical or commercially suitable. Such as blind loyalty to staff, lower margins for long standing customers and accepting ok standards from suppliers.

7. Out of touch

They have not moved with the times, are slow to invest into new technologies (how much) and can get left behind.

8. I can do everything better than you...

They can often do every job in the business, but they also can be very controlling, wanting a say in everything. However, given that they are spread so thinly, they are at best mediocre at everything, becoming very much the "handbrake of the business". To move forward, we need higher levels of performance in each area.

9. Delegate and elevate

They can hold back the development of new employees, who, as a result, leave, helping their competitors or to establish their own ventures. Equally, founder(s) may fail to invest in their team, so that they too can advance, innovate, and progress the company. Trusting the team to get on with things, when the team may do them differently, can become a real issue that stifles creativity and growth.

10. Experience and expertise

Founder(s) may lack experience in areas critical for scaling, such as corporate governance, fundraising, M&A or managing larger teams. In such cases, bringing in experienced executives or mentors could complement the founder's strengths, but many founder(s) are unwilling to go down this route.

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Work your ass off... because work works! That's the bottom line, no matter what you do.

ARNOLD SCHWARZENEGGER

This is all very negative, so let's balance the scales and consider how our founder can **help** the business achieve advanced growth.

1. Work, Work, Work

Our founder(s) are not afraid of putting in a shift – they are grafters, which is an essential ingredient for any successful business.

2. Authority

Our founder is often an experienced leader in their field, they are listened to, and have the wherewithal to navigate the business through the inevitable challenges a growing company will face.

Some high-growth companies need the ideas, inspiration, invention, and innovation of their founder(s), without which they would fail. Indeed, the founder is very much the catalyst for advanced growth and can push their business into the stratosphere.

3. Every day is a school day

Great leaders are humble and open to new ideas, investing in outside support and coaching to improve their skills, and, indeed, to learn new ones essential to move their business forward and achieve advanced growth.

4. Been there, done that

They have tasted failure, and tasted success. This is a valuable experience and knowledge resource to a growing business.

5. Trust and stability

Customers, suppliers, staff, and key stakeholders (maybe investors that fuel growth) are reassured that the founder is there in some capacity providing continuity.

6. Passion

Founder(s) usually have a strong vision for the company and are deeply passionate about its success. No one loves their business like they do. This drive can be essential for navigating the challenges of high growth. They are actively working on the business, looking at market trends and driving their business in the pursuit of BHAGs.

7. Investment

Founder(s) may have accumulated a few quid, which could be loaned to the company to help fuel advanced growth.

8. Valued (cheap) resource

Contrary to the above, often the business owner does not get paid what he is worth to the company. So, our founder is a very valuable resource – if they were paid the going rate, they would not be affordable to the company.

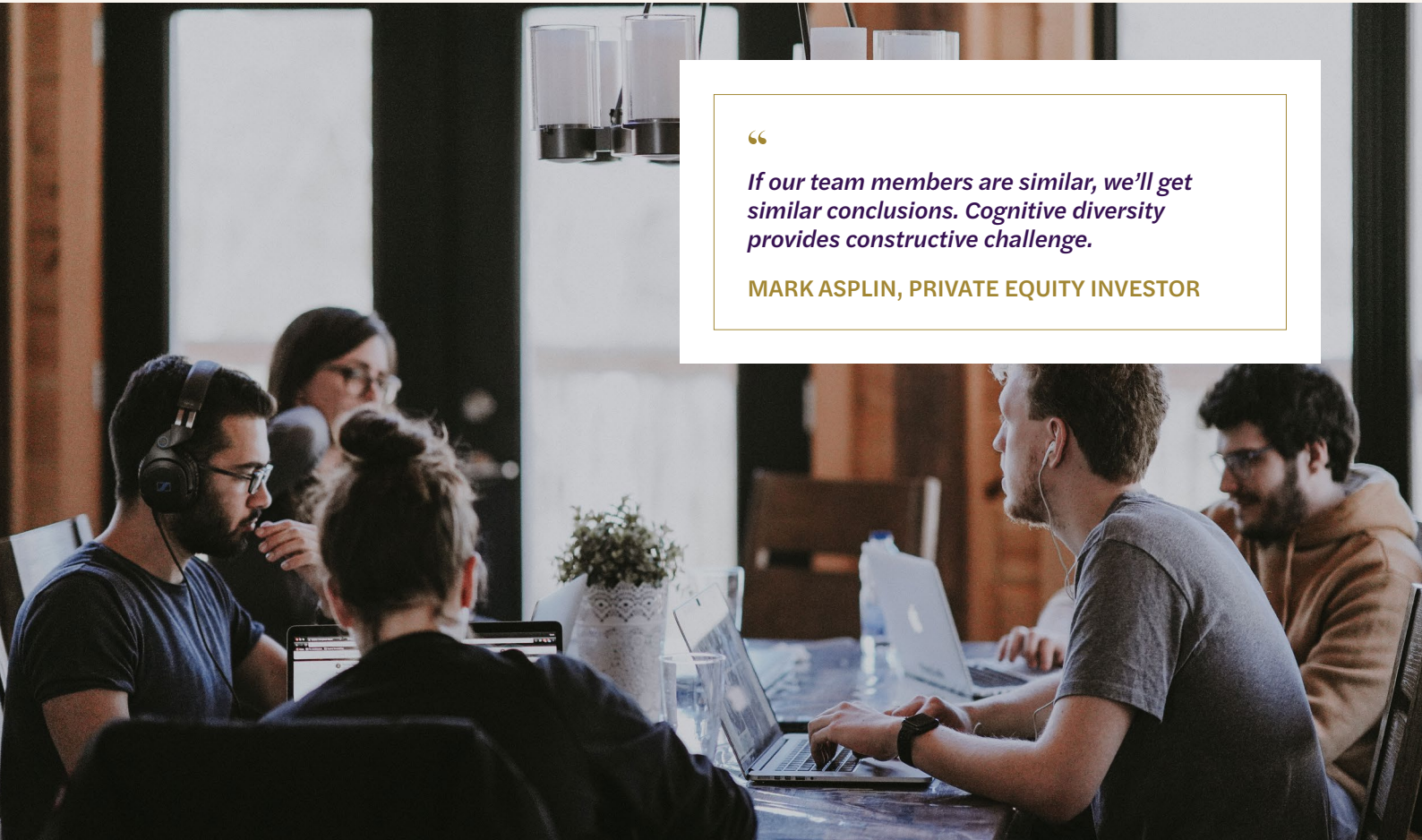
9. Network and relationships

Established networks can be invaluable for accessing capital, partnerships, and talent. Founder(s) who have built strong relationships within their industry may have an advantage in driving high growth.

10. People

Growth is only possible with the right people sitting in the right seats. A wise founder will recognise this, understand their shortcomings, and bring people into their business to cover their gaps and take the business to another level. If the founder is the smartest person in the company, it will not fulfil its potential. It is also important to have different perspectives and skills within the company.

Employing people with the same opinions, backgrounds and skills may result in unchallenged thinking, one direction(ism) and, ultimately, the business may run out of new ideas.



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If our team members are similar, we'll get similar conclusions. Cognitive diversity provides constructive challenge.

MARK ASPLIN, PRIVATE EQUITY INVESTOR



SO, ARE FOUNDER(S) A HELP OR A HINDRANCE?

Most founder(s) do not get to put this question to the test. This is because most will either sell their business, merge with another at maturity stage, or simply keep it ticking over and close the doors when they retire, running a successful lifestyle business where they are comfortable on the tools working in the business – and there’s nowt wrong with that.

The big question is:

WHAT DOES THE FOUNDER WANT?

As a starting point, we’d recommend founder(s) undertake the following exercise:

Take a blank sheet of paper and on one side, scorecard yourself from 1-10 on the ‘negatives’ above; on the other, scorecard yourself on the ‘positives’. Undertaking that basic exercise will in all likelihood tell you whether that desire is an ambition, a driven goal or a “nice to have”. Be clear, though: there’s no right or wrong answer, and hard work lies in whichever path (advance growth or status quo) is right.

Having done the exercise, if you are committed to advanced growth there are several early decisions you need to make and plans you need to formulate and agree.

These include:

1. Decide if *you* are the leader

Is the founder the best person to lead the business into this phase?

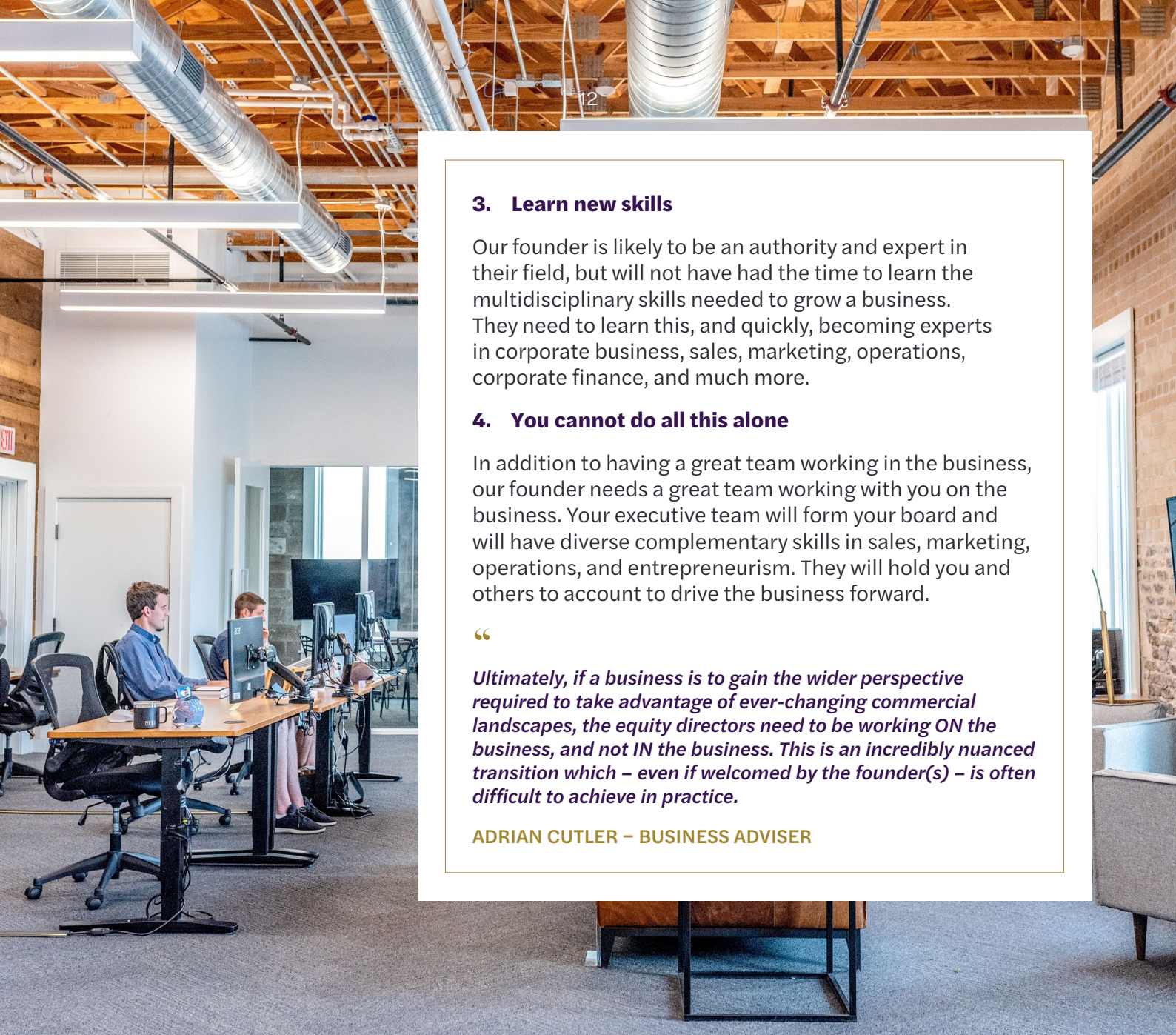
If not, then recruit an executive team that can. This may be self-financed, or financed with private equity, providing the capital (albeit with less control), leaving the founder to do a role working in the business (their superpower). But you may lose some control over decisions and equity, something that founder(s) may struggle with.

2. Drop the day job and reinvest yourself as owner, not operator

If the founder is going to help, then the only job they should have is achieving advanced growth, and be removed from any other functions. That way, they're not interfering with the people given these jobs.

The business is largely successful due to the founder working on the business, but that is the past; advanced growth will only be achieved if the founder leaves all this behind and dedicates his future to working on the business.

During the start-up phase, they will have delegated jobs they did not like or were not good at. Now, they must delegate all the functions they are good at, and focus on being the visionary leading the business into growth, only working strategically on the business. This is a difficult transition, but essential for the founder to help the business grow. If they recruited a CEO today, they would not expect them to be the chief cook and bottle washer, so neither should our founder. They need to fully embrace this so they can finally fully release the entrepreneur within them and increase shareholder value.



3. Learn new skills

Our founder is likely to be an authority and expert in their field, but will not have had the time to learn the multidisciplinary skills needed to grow a business. They need to learn this, and quickly, becoming experts in corporate business, sales, marketing, operations, corporate finance, and much more.

4. You cannot do all this alone

In addition to having a great team working in the business, our founder needs a great team working with you on the business. Your executive team will form your board and will have diverse complementary skills in sales, marketing, operations, and entrepreneurship. They will hold you and others to account to drive the business forward.

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Ultimately, if a business is to gain the wider perspective required to take advantage of ever-changing commercial landscapes, the equity directors need to be working ON the business, and not IN the business. This is an incredibly nuanced transition which – even if welcomed by the founder(s) – is often difficult to achieve in practice.

ADRIAN CUTLER – BUSINESS ADVISER

From experience, “advice” is almost universally bespoke to the owner/company/end game and so is almost impossible to give generically. We have provided some “food for thought” commentary, but you should take suitable professional advice before embarking on your own advanced growth journey.

Finally, every founder would be wise to understand, it must end at some point.

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Every founder, whether they know it or not is going to leave their business one day. Either they are going to walk out, be pushed out, be brought out or be carried out.

Clearly, being brought out for a life-changing sum of money and creating economic security for you and your family will be the most preferable of those options.

ALAN SMITH, CEO OF CAPITAL WEALTH AND HOST OF THE BULLETPROOF ENTREPRENEUR

HOW CAN WE HELP?

Henwood Court specialise in working with successful business owners, working with them as one of the experts in the founder(s) team. This involves: taking care of their personal finances so they do not have to worry about such issues; aligning business plans with their own financial life plan and keeping this plan on track; avoiding self-inflicted sabotage and ensuring the business is a vehicle for them to live the life they want, including enjoying their journey and achieving financial freedom, often and ideally before exit; and managing their money and estate deep into retirement.

If you are a successful established business owner, and would like to find out how we could help you and your business, then call the office and ask for our founder Nick (yep, still on the tools, but working on it!).

