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Growth Strategy: 5 Signs Your Company Is Ready to Grow

Growth is an exciting time for your business. Use growth indicators to make sure you're ready to launch into the next phase.

Rodika Tollefson
Freelance writer and journalist

Any business, regardless of mission or business model, needs to grow in order to thrive. Whatever growth means for you—physical expansion, increase in customers and sales, or additional products and services—you can't get there without a growth strategy. A common mistake many entrepreneurs and business leaders make is not having infrastructure in place for growth, says Ken Yager, president of Newpoint Advisors Corp., a business-turnaround consulting firm that specializes in the lower middle market.

According to Yager, both startups and businesses that have previously expanded could fail in the transition without ensuring that processes can scale up—even if they're scaling in small increments.

"The glass ceiling is the infrastructure because they're not thinking about what they can't see," he says.

While factors impacting the growth strategy vary, certain signs can tell you if you're ready to move forward. In addition to scaling the infrastructure—both people and processes—you need to have accountability, the right metrics and adequate working capital.

1. You're measuring the right metrics.

Customer acquisition is a common growth indicator, but you may need other metrics before that. Thad Beversdorf, CEO of online marketplace Indie Goodz, used vendor acquisition as the first metric.

He founded the Raleigh, North Carolina, company in April 2017 to give consumers an easy way to buy from independent merchants. The business has three models: drop shipping, order fulfillment and resale. It took a good 10 months to get the first 15 sellers on board, with fewer than 200 products (SKUs). Today, the e-store has close to 200 merchants from about 130 cities across the country, and about 5,000 SKUs.

"We knew we'd get to a critical point, and we figured it would be between 100 and 200 independent stores," he says. "Once we got there, the merchant acquisition costs would go way down."

With those indicators met, Beversdorf says the ground was laid for the customer acquisition metrics.

"In a marketplace like ours, if you don't have the product selection, you're not providing the fundamental, basic value proposition to customers," he says.

2. You have the right people in place.

Giancarlo Di Vece, CEO and president of IT consulting and software engineering firm Unosquare, believes the success of employees is an important measure of success.

Unosquare, based in Vancouver, Washington, has about 500 employees—a distributed workforce in several locations across the country as well as Mexico and the United Kingdom.

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> *—Thad Beversdorf, CEO, Indie Goodz*

Di Vece has served in several roles at Unosquare in the past six years. He become president in 2016 and CEO in December 2018, and has been responsible for several growth-driving initiatives.

He says that in the early stage of a business, the founders are "super-attached" to activities. That limits the breadth at which the team can operate.

"As you have the ability to grow, the first thing you have to do is prepare people (inside the company), or hire from the outside, to take those roles and responsibilities," he says.

3. You've defined your processes.

Di Vece recommends separating the business so the processes and activities have "owners"—and make sure you document it.

"You have to have very well-defined processes in the form of playbooks in different areas," he says.

One mistake that Unosquare learned from is internal communication. It's easy to communicate the vision, goals and strategies to employees when the company is small, and then lose transparency as the workforce grows.

"If people don't know where the company is going, they lose track of why they're there in the first place," Di Vece says. "Setting up communication mechanisms is one of the most important things, and you also need to understand what you have to communicate through those mechanisms."

Yager notes there are process-improvement tools for every size of business. For example, some may need to automate the purchasing department, while others may simply need to move hiring practices from paper forms to a digital environment.

"Scale requires a continuous investment in infrastructure—it's not 'one and done.' But you don't have to do it all at once, and you need to keep it simple," he says. "If it feels like [the investment] is a big budget, it probably is, so don't do it."

4. You created accountability.

Processes by themselves are not enough. You need to hold people accountable for those processes.

"Without accountability, you get workarounds," Yager says.

A workaround means company owners or founders may take responsibilities away from others and do things themselves, he says.

"And they don't have metrics—they're running blind because everything is on a gut check," he says. "So make the things you're measuring public, and hold people accountable."

Accountability helps the organization become results-oriented, Di Vece says. In addition to knowing what you want your teams to achieve, you need a framework of implementation.

"The implementation framework is how you're going to [get results] and how you're going to measure success," he says.

5. You have enough capital.

Yager recommends using the so-called 13-week cash-flow model to have a clear picture of your working capital needs. Looking 13 weeks into the future, the model helps determine if you'll run out of money based on sales, cash collections, inventory, payroll and so forth.

Companies typically either bootstrap or borrow money for growth capital, and Yager says he's also seen some get enough working capital by using a business credit card. He suggests using the 13-week model to make sure you're not borrowing too much.

"If you get behind, the expense can be burdensome on the business," he says.

For startups like Indie Goodz, investors are a typical source of capital. Beversdorf, who plans to add a discount platform by March and open a pilot brick-and-mortar store by the end of the year, is currently seeking investment capital. He recommends having a key investor group.

"You'll find that you get investor fatigue but if you have a large enough group, you can rotate through it," he says.

He says cost efficiency—"trying to get as much value out of every dollar as you can"—is an important part of

"Growth is a function of capital efficiency: Are you creating value, or are you burning value?" he says. "As long as you're creating value, growth—expansion—is possible."

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