

Understanding the Owner's Role in a Growing Company

Some people define growth solely in terms of number and size—more volume, more people, more projects, bigger projects.

While it's often a valid way to measure growth, it is not the only way. Growth could be defined as a better gross or net profit. It could mean diversifying and creating opportunities for team members. Or it could be defined around a cause, such as environmentalism or community development.

Business owners differ, and those differences fuel the debate around growth. But what is not debatable is the fact that your company's growth depends on how you understand and articulate the concept for yourself and how you communicate that vision to your team.

Part of this process involves understanding the characteristics of each step along the path of a growing company. The following models are categorized by volume and may therefore appear simplistic, but they are intended to get you thinking beyond where your company is and to focus on where you want it to go.

Model 1: \$500,000 to \$1.5 million. This is a practice. The business is totally dependent on the owner, who is performing most critical business functions, including sales, project management, and even some administration. Owners of these companies usually have a high level of engagement with clients and projects. They don't have much time to spend working on the business. Most don't have a formal business plan and, as a result, are reacting to the market and operating by the seat of their pants.

Model 2: \$1.5 million to \$4 million. These companies are outgrowing a practice. Their owners realize that they cannot do it alone and so they begin to delegate responsibilities, retaining those that best fit their skills and passion and reassigning the rest. The majority of leads still come from personal referrals, but a larger investment in marketing is required. A narrower focus on the type of work undertaken also becomes more important as a way to increase efficiency and profit. Overhead

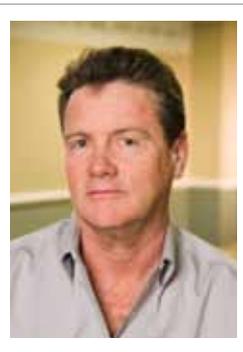
is still relatively small and can easily be adjusted as market conditions change. At this level, a peer-to-peer group such as Remodelers Advantage is a good resource to help owners learn from, and be held accountable, to one another.

Model 3: \$4 million to \$9 million. This sailboat needs a real crew, not just a captain. The remodeling business at this level is a "team sport" and company owners need to see themselves as more than just the salesperson or production expert. They may still have responsibilities in sales or production, but leadership is now equally important. Meetings are central to the owner's job as a way to transfer knowledge, give guidance, and motivate others.

Avoiding mistakes and managing risks can generate as much profit as just doing the work effectively. It helps to have a strong market, but spending time on the right stuff—developing people, processes, and technologies—is critical to staying at this level or growing beyond it.

Model 4: \$9 million to \$15 million. At this level, business structure and leadership are critical to success. The owner depends on others to accomplish the day-to-day operations and focuses on finance, human resources, and sales management. These functions typically require a level of expertise beyond what's required for a smaller, less complex organization, so the owner's focus must be on providing leadership and active management to the people hired to fill these positions.

Model 5: \$15 million to \$30 million. At this level, the quicksand is not at your knees, it



is up to your chest. You are all in and there no easy exit unless you build it into your long-term planning process. The leadership team that the owner began to build at the \$12 million level is now a critical component of the company's success. Company culture—important at every stage of development—is what defines you at this level. Companies at this level will struggle to attract and retain talent unless they have an additional layer of directors in finance, marketing, and so on, rather than just managers.

Model 6: \$30 million and above. The air up here is very thin, and only those who have properly acclimated will survive. They need the right people executing the right systems at peak efficiency and with few errors.

How well you anticipate growth and the changes it brings will determine your success at the next level.

While the above outline is oversimplified, I hope it prompts you to ask and answer questions about your own company's growth. Is growth important to you? Why? What does the next level of growth look like? How will you measure it? Does your team understand your vision for growth as well as you do?

Remember the adage: "If you don't know where you are going, any road will get you there." How you answer these questions will determine not only which road you take, but also your likelihood of success. **PR**

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