

THE BUSINESS OWNER'S JOURNEY

*Part 1: Early Stage from
Inception to Rapid Growth*



Congratulations

Congratulations, you just embarked on one of the most challenging, rewarding, frustrating, and impactful adventures in life. After years of dreaming, planning, and saving you are finally ready to take the plunge and open your own business. Taking that first big step is often one of the most emotionally charged moves you are likely to make, but this is only the beginning. There are countless decisions that will need to be made, strategic plans to write, course corrections, and budgets to manage. While the beginning is a time filled with adrenaline and high hopes, this is also the period that will determine the fate of your enterprise for many years to come. In this book we will touch on many of the critical considerations and milestones that will define your business and its potential in these early days.



Stage 1: Transitioning from a Tactician to a Strategist


If you are like the vast majority of entrepreneurs, you began as an exceptional producer within your chosen vocation. Beginning on the front lines, you recognized within yourself a propensity for exceptional productivity and high-quality results. Over time, you grew frustrated with your company's leadership, and began to fantasize how you would do things differently, better than these chuckleheads who don't seem to get what it is that you and your crew do day in and day out. Whether you had a vision of a better product for your customers or a better organization for producing, your capacity for getting things done was the genesis of your decision to do it better on your own. In other words, you are an exceptional tactician, one



who excels at efficiently performing the tasks along the path of delivery. Now that you are the one in charge, you will need to transition into the role of strategist. Rather than executing tasks, you are now responsible for creating the path and identifying the requisite tasks and order of operations for your team to execute.

On average, more than 50% of start-ups don't survive to see their five-year anniversary, and fewer than 30% make it to the ten-year mark. The top three reasons for business failure are lack of consumer adoption, running out of money, and the wrong team. All of these and many more causes of failure can be distilled in an overall failure to think strategically.

Tacticians, as doers, struggle to develop a team who can perform to their exacting standards, to pass on their expertise to new hires, and to prioritize operational requirements of the business outside of their skill set. As a consequence, they frequently do not take the time to generate robust strategic plans, pro-forma budget management tools, and documented processes that support growth. When this is the environment within a fledgling business, the





results almost always include high staff turnover, production and delivery issues, a burnt-out owner, and revenue that can never exceed costs. As a newly minted entrepreneur, your first priority must be making this shift within yourself so that you can work on your business rather than being consumed by working within your operation. Now, don't get me wrong, you will be working in your business for many years to come, but any tactical work that you perform should be a means of translating the work into a process and training your replacement in every position within the organization. Begin with the end in mind, and that end is a business that can grow and scale with you at the helm providing the vision and the strategy that your team efficiently and consistently executes.



So how does one go about making this transition?

More importantly, how does a business pull away from the tactics when they can't afford to hire and train staff to do the work? These are important questions, and the answer is equally important. The key is that in the beginning you will need to be both a tactician and a strategist, but that you must perform your tactical work with an intentional focus on replacing yourself in these roles. While you are performing tactical work, it is critically important that you think in great detail about what it is that you are doing, and how you can be as efficient as possible in performing the tasks at hand. Translate this detailed analysis into a documented procedural guide for the position. Create checklists and standard operating procedures (SOPs) and follow them precisely so that you can identify the flaws and weaknesses and optimize them. By doing this, you have paved the way to bring in less skilled employees who can learn the role quickly and benefit from your expertise in performing at the level of your expectations. This



process should be carried out for every tactical role within your company, and such a practice will yield extraordinary benefit as you grow. With every employee you hire and develop, pull yourself incrementally further from the tactical work so that you can gain a broader view of your company. Establish key performance indicating (KPI) metrics that allow you to understand how the tactical work is being performed at a glance, and review that information regularly.



As you step back from your tactical responsibilities, you must exert yourself to becoming a strategist. A good strategy cannot exist independent of tactics, so don't worry, you will never leave the tactical world entirely. Rather, you will begin to pay attention to the entirety of the tactical functions that must be carried

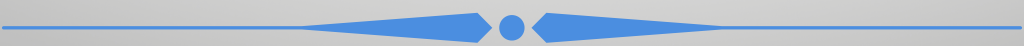
out concurrently in order to support the consistent delivery of goods and services while your organization continues to grow. It is the understanding and proper balancing of these interdependencies that define exceptional strategists. The role of the strategist is to

be constantly curious about the needs and relationships of the system under their charge. Ask many questions, sweat the small stuff, and take care to be clear and articulate in your communication of the plan.



Stage 2: Navigating the Complexities of a Start-Up

A business in its early stage is riddled with complexities and nuance, the better you address and manage these complexities, the more well equipped you and your team will be to face the challenges of The Business Owner's Journey Part II: Rapid Growth. To begin with, your business is strapped for resources. You likely find yourself with a limited workforce, limited cash, limited access to supplies, no documented processes, and limited access to distribution channels. In other words, everything you need to grow and become profitable is in short supply. You find yourself overwhelmed with the insatiable needs of your business, and you end up feeding the beast by addressing one shortage after another. The first thing that you need to do is to prioritize these needs, and then develop a plan to mitigate needs in a methodical order. The prioritization of needs will vary from business to business and should be a part of your strategic plan. Once the plan is generated, a system of tracking progress should be implemented.



The following paragraphs will explore some key different considerations for several of the most common needs.



Capital is without question the most commonly scarce resource in the early stages of a business lifecycle. It is not uncommon for a business to operate in the red for several years before achieving profitability. A business cannot put off paying for inventory, overhead and labor just because it isn't generating enough revenue. The first thing that an owner should address is its churn rate, and cash flow expectations. Forecasting is a skill, and the more you manage against pro-forma, the greater your understanding of your organization's cash flows. This skill will prove invaluable throughout the life of your business. Understanding your churn will help you to identify the quantity and timing of your capital need. Once you have this in hand, you can begin to identify your capital options and the cost of that capital. You



will want to understand whether or not bank loans are viable, and what such a liability will do to your subsequent cash flow projections. You may want to secure a partner with complementary skills who will buy into his/her position, or you may wish to secure investors as limited partners who will allow you the latitude to lead the business as you see fit. In both of these cases, it will be imperative to understand what your equity is worth and develop a strategy that maximizes your as-needed capital while minimizing the equity you sacrifice to obtain it. Finally, you will need to review your product launch strategy to ensure that you launch a minimum viable product as quickly as possible in order to begin generating revenue.

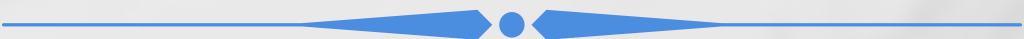
From here you will need to have an updated release plan and a means of employing the voice of the consumer (VOC) and the voice of employees (VOE) to identify and manage product improvements.

The next most common resource need is the team. In the early stages of your business, greater than 60% of your business value resides in the strength of your leadership team. Understanding the operational





needs of your business and building a balanced team that can satisfy those needs is imperative. The stronger your team is, the less equity you need to exchange for capital which is a meaningful incentive for making this a top priority. Once you have your key leaders, put them to work on transferring their knowledge into processes and positional documentation. Make it a priority to create an environment where a total stranger could walk off the street and with relative ease understand the requirements and standards for every position within your organization. Equity options and performance-based bonus structures are tools frequently employed to attract top talent to join a team early and defer a

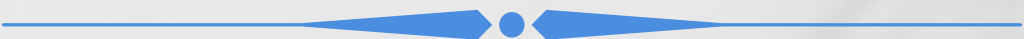


portion of their wage value until you are in a stronger cash flow position. In some cases, the skills and human resources that your business needs to get through a challenge will not warrant a full-time employee (FTE), or the cost of an adequately qualified FTE is more than the company is in a position to sustain. This is a scenario where fractional support services may be just what your team needs. There are many options for fractional support in CFO, strategic planning, HR management and other key organizational functions, and the team at Blue Sky is more than happy to help you identify needs and make introductions where warranted.

Starting a business can sometimes be a lonely and isolated endeavor. It can feel like everyone needs something from you, and as one person, the thought of fulfilling these never-ending requests can quickly be overwhelming. The keys to building a successful and durable operation that fills your cup while you serve within it are to identify your core team, trust them to complement the work you are doing, and to systematize your processes so that it becomes easy



to add functional employees as you grow. We at Blue Sky Business Resources have lived through the joys and challenges of the start-up journey. We built our business around the principle of being there by your side to ensure that you are never alone, and that your journey is filled with the joy of seeing your creation flourish. Call us today to discuss how we can work together to maximize outcomes no matter what stage of the journey you find yourself in.



Early Stage Self Assessment

Do you know what your start up equity is worth?

Have you determined whether a bank or an investor is best for operation or growth capital?

Do you know what your capital needs are?

Do you have voice of the consumer feedback to refine your product offering?

What is your minimum viable product?

What is your optimum upgrade release cycle?

What is your reasonable price point?

What is your breakeven volume?

What is your employee growth map? Do you have one?

What is your competitive landscape and how are you differentiating?





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