The complete guide to growing your business

Whether you're new to owning your own business or you've been at it for some time, business growth is likely on your mind.

Perhaps you want to access new markets, create new locations, offer new modes of service delivery, step away from day-to-day operations, or simply bring in more customers and revenue? This means you need to focus on business growth.

So how does one go from merely running a business to growing one in earnest? What do you need to know? What are the stages of growth? How will you finance it?

Read on to discover how to grow your business...

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Start with a solid business plan

Growth and business success does not come about by accident. You need to plan for it. The first step for any business owner looking for growth is to create and maintain a solid business plan.

Helping you to flesh out your business proposal, outline key processes and actions for what you want to achieve over time, writing a business plan will define your growth strategy and give your business the best chance of success.

Perhaps you drafted one when you first set your business up? Maybe you just winged it? What matters now is that you update a complete business plan to start off on the right footing.

Furthermore, if you require funding for your business growth plans, creating a thorough and detailed business plan is an absolute must – no bank or investor will touch you without one.

A business plan should generally include:

Description of your business

This will include your business details, structure, ABN number, contact details and your website.

An executive summary

A one-page outline of your small business intentions – essentially a 'cover letter' for your business plan.

Team and management

A snapshot of your team structure, employees, positions, and key responsibilities. This is usually laid out in a visual 'tree' format.

Products and services

An overview of your intended deliverables including a description of your products and services that form the backbone of your sales and cashflow. This section also includes pricing, demand, distribution, and unique selling position.

Operations

Details of your operational intentions including equipment, premises, technology, suppliers, stock, insurance, and legal considerations.

Market analysis

A research-based analysis of your target market, demographics and market share. Plus, a breakdown of the competitive landscape and a SWOT analysis (strengths, weaknesses, opportunities, and threats).

Marketing plan

How you intend to promote your deliverables and lead consumers down a path to sales. This section covers what your website looks like along with your digital marketing and social media strategies.

Sales plan and business finances

A debrief of your sales targets, pricing, profitability, cashflow, budget, funding, and balance sheets.

Future forecast for growth

Your intentions for growth and future profitability, detailing your mission statement, opportunities for growth, and a multi-year roadmap.

Starting a business plan from scratch can be a tall order, but we're here to help!

Use our free business plan template to get you started.

Business development plan

Now you've drafted it up, it's time to examine the final point of your business plan above – your future forecast for growth.

If you want to grow in earnest, you should bolster this section of your plan by adding a business development plan, or business growth plan.

A business development plan is a document which describes the goals you've set for your business and the methods you'll deploy to achieve them.

It outlines the metrics you'll use to measure your success in achieving these goals and your strategies to overcome challenges.

Let's say you have a successful business selling makeup in Australia. A business development plan could see you expand into the NZ or US markets or perhaps bring aboard new product lines to expand the scope of your offerings.

In a nutshell, it's all about winning new business and the methods you'll undertake to get there.

A business development plan will often depict:

Your growth opportunities
and the way you intend to achieve them, such as rolling out new products or entering new markets.

How you intend to fund
your pursuit of these growth opportunities.

Your financial goals
such as cashflow and intended profits or debts.

The operational needs
of your growth strategy, such as bringing on new team members, suppliers, or equipment.

A sales & marketing strategy
aligned with your business goals setting out tactics, deliverables, and targets.

A team strategy
which lays out your employee's responsibilities, KPI's and organisational structure.

Seek professional advice before you begin

Now that you have your business plan together and a strategy for growth, it's wise to seek professional counsel. Maximise your chances of success by booking some time with an accountant or business advisor!

An advisor can:

- review your business plan
- evaluate your business model for growth
- interrogate your financial health and performance
- help with forecasting and budgeting
- find ways to cut expenditure and maximise revenue
- assist with efficient workflows
- take care of compliance and tax concerns.

As you can see, there's some very good reasons to invest in at least some level of professional business advice. After all, this is their bread and butter, and they'll often find things you may have overlooked.

If you need to find a business advisor or accountant near you, use our free advisor search tool.

Growth process: the five stages of small businesses growth

Business growth isn't a haphazard process – there are distinct stages to business growth. In fact, we can divide up, monitor, and define the five stages of business growth that set you up for long term prosperity.

Do you want to grow your business but are unsure of how to go about it? By having the phases of growth laid out, you can be sure of which phase of the journey you're on and what comes next.

It's a handy way to keep your business on track and be sure you're progressing toward increased stability and profitability.

Let's outline and examine the five stages of small business growth.

1 Existence

In the Existence stage of business growth, you're consumed with 'staying alive' after bringing your business idea to life. In this initial phase you're focused on obtaining customers and being able to deliver your products and/or services.

Throughout the Existence phase, you'll be operating a top-down model. And as the business owner, you will be calling the shots and directing any employees toward sales, product, marketing, and customer goals. Or you might have no employees and everything comes down to you...

Your systems will be minimal to non-existent. Just like most businesses starting out, you'll be focused purely on expanding your customer base, selling your products, and earning enough money to keep afloat.

Things you'll be questioning during the Existence stage:

- How do we acquire customers?
- Can we deliver our products or services adequately enough to remain viable?
- Can we expand our customer base?
- Do we have enough resources and capital to continue operating?

2 Survival

Once you've endured the Existence stage, it's on to the Survival stage. In the Survival stage, you're still fresh but you've now demonstrated that there's a need for your offerings. There's proof in the pudding and you've carved out some market share.

Now you know the business model is viable, you'll be focused on:

- the relation between revenue and expenses
- making your business solidly profitable
- a return on investment for your capital assets and equipment
- maintaining adequate finances and the servicing of debt

Basically, you'll be trying to ascertain if you can you earn a profit long term by covering your expenses and investments with revenue and regular cashflow.

In this stage, your business model is still simple, and the decisions are being made by the owner(s), with reporting from employees (if you have any).

Systems are still at a minimum and, if they exist, are centred squarely on cashflow forecasting.

Many businesses will remain in the Survival stage for some time, geared toward basic profitability and striking a manageable balance of expenditure vs revenue, without sliding into arrears.

3 Success

When you reach the Success stage, you're now running a profitable and stable business which is cash positive and has a robust long-term outlook.

You'll have two primary choices in the Success stage of business growth:

You can choose to step back from day-to-day operations, appoint managers and retreat from direct involvement by letting the business maintain its status quo. (You'll not be pursuing aggressive growth strategies, but rather choose to earn more passive income from a stable and healthy business.)

The other course of action is aggressive growth. In the Success stage you can also choose to put more chips on the table, leverage financing, capital or investment and pursue a higher risk/higher return avenue. (You may choose to pursue new markets, new products, create partnerships, invest in employees or any other manner of expansion.)

Which fork you choose to grow a business will depend on your particular aims – passive income vs potential for greater reward (with all the risks associated).

4 Take Off

The Take Off stage of business growth is when you've chosen to pursue the second avenue in the Success stage: aggressive expansion.

This is the stage of development to **make a business much bigger** than it already is with rapid growth.

The opportunity in this stage of business growth is to make it big and become a large and valuable company.

You'll be focused on:

- generating enough cash and financing to buttress your growth and increased expenditure
- making strategic decisions on where to focus your growth efforts
- employing competent managers and key staff
- decentralising the business.

Many businesses can fail in this stage of business growth by either running out of cash through over expansion or through poor (or unfortunate) strategic management. Poor staff and manager performance can also be an issue at this stage.

Alternatively, in the Take Off stage of business growth you may also be looking to **sell the company**, as it will now hold value in the eyes of external parties.

5 Resource Maturity

You've mastered the four stages of business growth before this and now you've arrived at the Holy Grail of all business owners – Resource Maturity. The maturity phase is the coveted stage of business growth where everything falls into place.

The Resource Maturity stage involves:

- balancing and consolidating the rewards of successful expansion with operational costs
- decentralisation and separation of owner and business
- fully developed systems and strategic capability
- maintaining entrepreneurial spirit and agility without sacrificing stability and cashflow
- careful expansion of the workforce
- being fully resourced with the ability to withstand market ebbs

At this final stage of business growth, the owners often choose to step back, almost completely, and enjoy the dividends of their creation, or sell the company for a large profit.

Challenges in the growth stage of a business

It's no secret that many businesses will never reach the final stage of business growth. A combination of an excellent idea with intelligent decision making, balancing risk vs reward, and positive cash flow is required.

Many businesses will stay at earlier growth stages of the business life cycle and remain healthy and profitable without the need to progress through every stage of business growth.

Not every successful business has to make the same aggressive decisions for growth. What's most important is making the decisions that are right for you and your business.

Financing your business growth

Now that we understand the five stages of business growth, how are you going to fund your expansion?

There are several ways to go about financing your business growth, so let's break down the most common methods. Each avenue comes with a set of advantages and disadvantages, so be sure to weigh your options carefully and select the path that suits you and your business situation.

Internal funding

Internal funding is a financing option that's only available to those who've worked to save a decent reserve of capital. This is your own money that you've worked hard to save, or otherwise amassed.

Internal funding dictates that you have enough spare and unencumbered cash to fund your own business' growth.

Advantages

- The key advantage of internal funding is that you're free from debt.
- You won't be paying unnecessary interest and you'll be largely free from the risk of bankruptcy.
- It'll be much easier to access loans later (if necessary) as you'll be free from debt and have business assets and trading history on your side.
- You'll maintain complete control over your operations, as the opinions and demands of investors or third parties are non-existent.

Disadvantages

- Amassing or saving large amounts of capital can be unattainable for many aspiring business people.
- You'll often forgo the possibility of personal purchases and investments, such as property or vehicles.
- Your cash reserves will be depleted, meaning that timely cash injection or future growth opportunities may have to be forfeited.

Debt finance

Debt finance is an extremely popular business financing option. In many cases, debt finance may very well be the only reasonable choice available to you.

Debt finance refers to the acquisition of a loan to fund your business venture. This borrowed capital may come in the guise of a bank loan, line of credit, small business loan, overdraft, credit card, or any other form of borrowing which creates a debt.

Advantages

- The primary advantage of debt finance as a business funding option is its broad accessibility.
- If you have a solid business plan and represent a reliable bet on the part of your creditor, you can have every chance of being approved for a form of debt financing.
- While collateral is an advantage for loan security and approval of larger loans, you can often receive smaller amounts of funding with very few assets.
- If you have other cash reserves, you can invest this in times of need or use it to pursue a growth opportunity.

Disadvantages

- Debt financing, as the name suggests, will place you in the manacles of debt and attract interest charges.
- If you default on your loan, or your business goes belly up, you're left with a very costly responsibility to pay your loan back.
- There's a very real threat of bankruptcy or financial ruin if things go awry.
- You may lose any assets you used to secure your loan to start a business.
- If your intended loan amount is large, you'll find it difficult to be approved without assets as security.

Equity finance

Equity finance involves the acquisition of third-party investors to fund the business on your behalf, in return for equity.

Often known simply as 'investment', equity funding means that you'll give up a portion of control and financial ownership of your business in exchange for funding.

There are many types of equity finance. Equity financing can mean you seek cash from:

- friends and family
- crowdfunding
- angel investors
- floating shares

Advantages

- You won't require large amounts of personal capital.
- You'll be able to sidestep debt and won't have to jeopardise your own assets.
- You'll often have the advantage of your investor's knowledge, experience, and business contacts. Sometimes two heads are better than one.

Disadvantages

- In many cases, you'll have to give up a portion of control over your business.
- You'll have to pay out your investors, meaning less profit or equity for yourself.
- If you sourced funds from friends or family, you may negatively affect your personal relationships – especially in the event of business failure.
- You'll need a very solid and dependable business proposal. This business plan will need to be very mature, with clear pathways to profit and clear-eyed consideration of risks.

By far the most valuable investment a business can make is cloud accounting software. It not only automates much of the legwork involved in the financial aspects of running your business, it's the cornerstone of tax compliance and visibility over your business's health.

Do yourself a favour and download a free trial of Reckon One to see the power of cloud accounting.

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