

CHAPTER ONE

GETTING TO THE NEXT LEVEL

Ever since I started writing about business, I've had the idea of leading a very special, very high-priced retreat for entrepreneurs.*

My goal was not financial. By the time I became a business writer, I no longer needed money and could have readily come up with many easier ways to make the \$300,000 that such a retreat could generate.

What inspired me was an ego challenge: All around me, self-proclaimed business experts were charging \$1,000 to \$5,000 for seminars, and they were getting plenty of eager people to pay up. Most of these guys were one-trick ponies—zero-down real estate gurus, direct-marketing experts, or motivational speakers. Few of them had my depth or breadth of experience. If they could get away with charging \$5,000, I reasoned, I should be able to charge \$10,000.

*I began writing about business in 2000, after a 30-year career that involved the successful start-up of several dozen multimillion-dollar businesses, including six or seven with revenues that exceeded \$10 million, three or four that exceeded the \$25 million mark, one that reached \$135 million before it was sold (which is when I retired for the first time), and one—an ongoing business—that hit \$270 million last year and is growing strongly.

14 READY, FIRE, AIM

So that's what I did. I spoke to MaryEllen Tribby, the superstar who runs the business advisory business EarlytoRise.com (ETR),* and she agreed to do it. Three months later, she had everything set up and 30 tickets sold.†

The only thing left was to come up with a seminar schedule that would justify an investment of four days and \$10,000 by each attendee.

“Pride comes before the fall.” That saying haunted me as I pondered the question: What could I do for those 30 people that would be worth so much of their time and money?

It wasn't going to be easy. Although they had all achieved a great deal in their lives, each had a different sort of business. Some were beginning new businesses. Many were growing modest-sized companies. And some had well-established \$10 million to \$25 million enterprises.

To make matters more challenging, their businesses ranged from professional services to publishing to manufacturing . . . even to restaurants! To make this retreat work for everyone in the time allotted, I had to come up with a format and an agenda that would identify their similarities as well as their differences.

I thought a lot about it for several days, but couldn't come up with an answer. I called in two of ETR's most powerful thinkers, senior writer Charlie Byrne and contributing business management expert Richard Schefren (both superstars in their domains), and asked them what they thought. The specific question I posed was:

What is it that all entrepreneurs and/or businesspeople—regardless of what kind of industry they are in—want for themselves and their companies?

*EarlytoRise.com is one of more than 10 businesses in which I have an active interest. Because it is the most recent of these businesses, it gets the greatest amount of my time. But, as you may have guessed from reading the Introduction to this book, that is a relatively modest amount—about five hours a week, on average. This is a book about how you can create and run multiple multimillion-dollar businesses without working as hard as you are working now.

†Marketing Tip: The easiest way to create profits in your business is to sell your best customers a higher-level version of something they have already bought. MaryEllen's marketers did that by sending out a special invitation to a limited number of ETR customers who had already spent \$2,000 on a three-day conference with various ETR business writers. The new seminar was positioned as more (four days) and better (with me only) and sold out in a matter of weeks.

Charlie was the first to reply.

“It seems to me,” he said, “that novices want to know how to start up businesses from scratch.”

“And people who are already in business, (like me),” Richard added, “want to know how they can take their businesses to the next level.”

Both answers sounded right—exactly right.

“So that’s what we are going to do,” I said. “We’ll develop a program so that everybody who comes—beginners, intermediates, or even experienced entrepreneurs—will leave the seminar with a blueprint for getting to that next level.”

THE FOUR STAGES OF BUSINESS DEVELOPMENT

If you look at how businesses develop over time, either from your own experience or by looking at industry statistics for entrepreneurial ventures, you will see that there are basically four stages of growth.

1. *The first stage is starting out*—taking your business from an idea to actively running and generating reasonable cash flow. For the purposes of simplicity, I delimited it by annual revenues: from zero to \$1 million.
2. *The second stage is the fast-growth stage*—taking your business from the \$1 million level (at which there is usually little or no profit) to a level where it is making about \$1 million to \$2 million a year in profits. Expressed in terms of revenues, I identified that stage as \$1 million to \$10 million.
3. *The third stage is the adolescent stage*—taking your business over the \$10 million threshold (which is difficult for most entrepreneurs) to a substantially solid business where profits can be in the \$2 million to \$5 million range. The revenue parameters of this stage are from \$10 million to \$50 million.
4. *The fourth stage is the maturing stage*—taking your business from revenues of \$50 million to \$100 million or \$200 million or even \$300 million.

The theory that Charlie, Richard, and I developed, and that I presented to attendees at the beginning of the retreat, was that every

16 READY, FIRE, AIM

entrepreneurial business has these four stages, and that each stage has its own unique characteristics in the form of problems, challenges, and opportunities.

I liked that theory—the simplicity of it. But what, I wondered, were those problems, challenges, and opportunities?

I spent several weeks thinking about it and came up with lots of ideas. Some of those ideas I knew were good and true. Others were true in certain cases or for certain industries but not for others. I was looking for a *unifying theory* of business growth—the problems, challenges, and opportunities that are *common to every business*.

It was difficult to find a unifying theory because of some fundamental differences between certain sorts of businesses—professional firms, franchises, nonprofits, and others. Another problem was that I have had no experience growing large companies—companies larger than \$300 million—so I couldn't pretend to be able to create a theory that would be applicable to them.

But if I limited my scope to entrepreneurial businesses—businesses that create their own products, do their own marketing, and determine their own destinies—then it could work. I could come up with a list of problems, challenges, and opportunities that are common to all such businesses.*

The first task was to characterize the stages of business development. I kept it simple by limiting the number of stages to four. In human development, there are four stages of growth: infancy, childhood, adolescence, and maturity.[†] Thus, I labeled the four stages of business growth accordingly.

When it came time to identify the common problems, challenges, and opportunities, I also came to the conclusion that less is more. In fact, I thought it would be great if I could identify one and only

*Although this book is not specifically meant for professional practices, service businesses, nonprofits, or franchises, motivated owners of such enterprises will find plenty of ideas here that can grow their businesses. Likewise, senior executives of large businesses will be able to use many of the secrets and skills presented in this book to grow their divisions and/or profit centers.

[†]There is another stage of life, senescence; but this is not a stage of business that I will discuss in this book. Some businesses do reach a stage where they are dying and have no chance of further growth. Many, however, can be revived simply by applying the growth-giving secrets covered in these pages.

one characteristic for each category—the most important problem, challenge, and opportunity at each stage of development.

To test my new theory, I asked Jason Holland, my research assistant, to assemble the annual revenue and profit figures for the last six start-up companies I worked with. I wanted to see how fast each had grown every year, and how long it had taken them to reach certain revenue targets—\$1 million, \$5 million, \$10 million, and so on. Perhaps that would help me identify any common characteristics.

In fact, it did. What I discovered from looking at Jason's charts and remembering the individual histories of those start-ups was that the problems, challenges, and opportunities that each faced were more or less the same at each level of growth.

The time it took to get from zero to \$1 million in revenues was different for each company, ranging from one year to five, as shown in Figure 1.1. Yet there was one very revealing common aspect of this initial stage of growth. Once the business figured out how to sell its product profitably, getting to \$1 million in revenues was done within a single year. The companies that took three and four and five years to hit \$1 million were all struggling with the same problem—making that first profitable sale. But the moment they figured it out (indicated by having reached the \$1 million revenue mark), they were up and running.

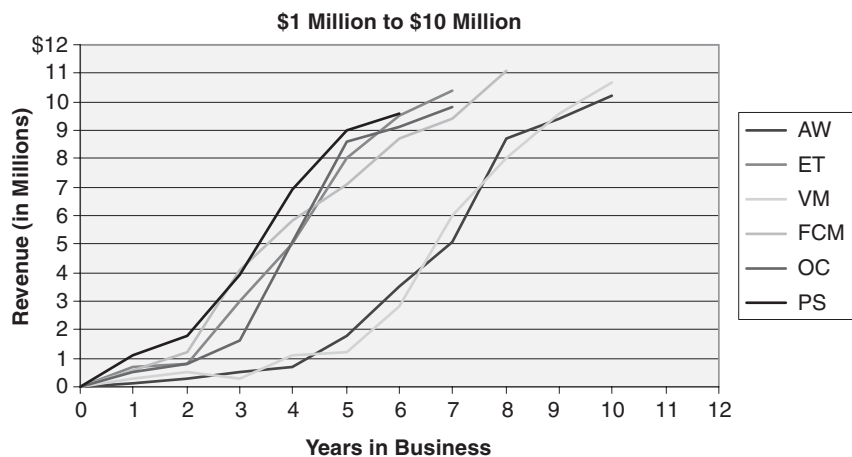


FIGURE 1.1 How Four Companies Grew from \$1 Million to \$10 Million

18 READY, FIRE, AIM

I could see from Jason's chart that once a business hit the \$1 million revenue mark, it took, on average, only five years to hit the next level of \$10 million in sales. And when I thought about how each of these companies achieved that next level of growth, I could see that there were two factors that mattered most: speed and innovation.

There were four companies in that group of six with revenues in excess of \$10 million, as shown in Figure 1.2. Each of them experienced a year or two when problems escalated and profits dipped. To repair those problems and bring the company back to profitability, they had to implement systems and procedures that were lacking because of all the growth they had experienced.

Two of the companies reached revenues that surpassed \$50 million. How they—and every other company I've worked with that has hit or exceeded \$100 million—got bigger was surprisingly easy to answer.

I was excited about what we had discovered. I felt like we had come up with a unifying theory of entrepreneurial business growth. We tightened up the charts and presented them on the first night of our retreat.

Showing the graphic evidence of these growth stages evoked a pretty strong reaction from our attendees.

"I definitely can relate to your theory," one told me. "I have been stuck at the \$1 million level for five years now, and can't seem to break out of it."

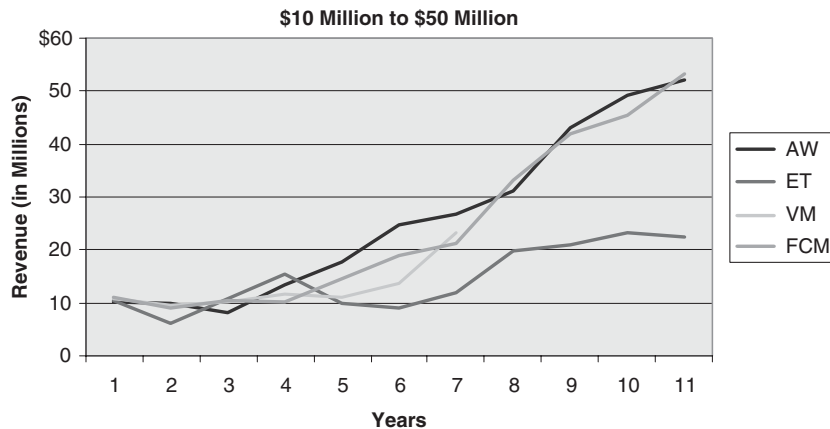


FIGURE 1.2 How Two Companies Grew from \$10 Million to \$50 Million

Another said, “My business is old and profitable. It did over \$20 million last year, and I don’t really need more money. But I would like to see it grow to \$100 million in the next five or 10 years—not for me but to have something big enough to distribute to my 10 grandchildren.”

Over the next four days, we made numerous references to this unifying theory—that at each of the four stages of entrepreneurial growth, you will face certain distinct problems, challenges, and opportunities, and that these problems, challenges, and opportunities depend less on what business you are in than on the size of your business.

Other issues matter as well, but if you know what to expect at each stage of the game and prepare yourself for those common problems, challenges, and opportunities, it will be much easier to reach the next level.

PROBLEMS, CHALLENGES, AND OPPORTUNITIES

I have made some improvements in my unifying theory since the retreat. Here is my updated idea about the four stages of entrepreneurial growth and the most important problem, challenge, and opportunity that presents itself at each stage:

Stage One: Infancy—zero to \$1 million in revenue

Main Problem: You don’t really know what you are doing.

Main Challenge: Making the first profitable sale.*

Main Opportunity: Achieving a minimum critical mass of customers.

Stage Two: Childhood—\$1 million to \$10 million in revenue

Main Problem: You are only breaking even or may even be losing money.

Main Challenge: Creating many additional, profitable products quickly.

Main Opportunity: Increasing cash flow and becoming profitable.

*By profitable, here, I mean cost-effective. The business itself will not be profitable at this point, but the cost of the sale should be such that, once you reach a critical mass of customers and generate back-end revenue, you can be profitable.

20 READY, FIRE, AIM

Stage Three: Adolescence—\$10 million to \$50 million in revenue

Main Problem: Your systems are strained, and customers are noticing.

Main Challenge: Turning the chaos into order.

Main Opportunity: Learning how to establish useful protocols and manage processes and procedures.

Stage Four: Adulthood—\$50 million to \$100 million in revenue and beyond

Main Problem: Sales slow down and may even stall.

Main Challenge: Becoming entrepreneurial again.

Main Opportunity: Getting the business to run itself.

Of the 30 people who attended the retreat, about six were just starting out (although several of them had completed successful careers and were beginning anew). Most were in one of the early stages of growth, and three were already closing in on \$25 million in revenues.

WHAT SHOULD YOU WANT FOR YOUR BUSINESS?

Despite their differences, the retreat attendees all wanted the same thing: *to get to the next level.*

And guess what? At the end of our experience together, all of them said they knew exactly what they needed to do to achieve their individual goals.*

I was enormously gratified by their comments, hugely proud of their transformations, and immensely excited about the ideas I had gotten from them. About a third of the group said they had gotten their money's worth from the retreat "after the second day." The rest, on the final afternoon, cited specific actions they were going to take (or, in some cases, had already taken) to achieve their goals. In all,

*I don't want to take credit for providing all the ideas that these 30 entrepreneurs took away from the retreat. Many, if not most, of them came from the entrepreneurs themselves. The smartest thing we did in organizing the retreat was to eschew lecturing for roundtable discussions. By bringing in the questions, comments, and suggestions of 30 bright and successful people, a great deal of the hard work was done for me.

the experience was worth a great deal more than \$10,000 to each and every one of them.

In the chapters that follow, you will have access to all of the ideas we talked about at that retreat,* and many more that we didn't have time to discuss during our four days of brainstorming. If you read this book actively and positively (thinking hard about how these ideas could work for you and your business, and not discarding any of them because you might have heard them before or because they just don't seem, at first glance, to be relevant to your situation), you will be able to:

- Identify where your business is now and what specific problems, challenges, and opportunities lie ahead.
- Determine a path to get your business to the next level, and then chart the next path to reach the following level.
- Continue to grow your business into the millions and tens of millions and hundreds of millions of dollars in revenue.
- Be in charge of all this growth and profit from it.
- Become a primary beneficiary of multiple multimillion-dollar businesses.
- Surround yourself with helpful, work-loving people.
- Reduce the time you spend working.
- Swap the job you have now for the very best job in the world!

In this book, I am going to give you every concept, strategy, technique, and skill you need to make your transformation. What you have to give is simply your good faith and time. Good faith and time are what every one of the 30 businesspeople gave when they came to the retreat, and those investments were enough to create for each of them a very practical plan of action that will take their businesses to the next level. It worked for them. It should work for you.

Actually, they gave something else that you haven't given: \$10,000. When you put these recommendations into action and are happy with the results, I hope you'll write to me and tell me all about it. Including a check for \$10,000 will be optional.

*It would be unfair to tell you the specific business-building plans that the attendees shared that day, but I will tell you all the principles, strategies, and concepts that led them to their plans.

