GrowthWorx

Business Primer

Codex LOCOTUS 4.0

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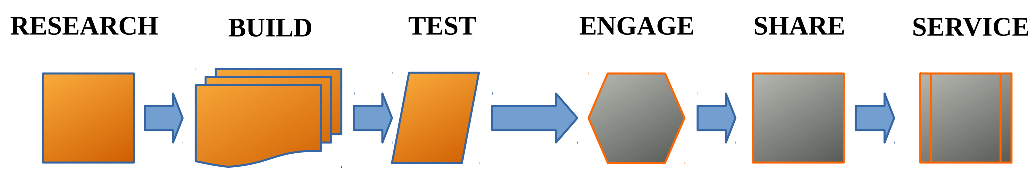
INTRODUCTION

The Team @GrowthWorx appreciates your downloading and reviewing these documents. Although at 34 pages it appears to be a book, in reality we have bundled together concepts published over the last few years on the criticality of small businesses to the United States economy, and the leadership and management challenges to run and grow a viable business.

The focus of this "Business Primer" are business owners, but it does not exclude anyone in a leadership or management position. A business is nothing more than an economic entity that functions within a society. The advantage for leaders / managers in large organizations is a tested infrastructure with a defined set of rules to operate within. On balance it is a net plus and the focus in the big can be on achieving business goals through people. In smaller businesses this infrastructure doesn't exist and adds to the complexity of achieving results through people. Both demand the same set of skills except entrepreneurs have to create the infrastructure and rules to make performance easier, and more predictable – the elimination of friction.

gWORX Product Development Process



The gWORX organization has two corporate functions – the development of proven, researched based products, and bringing customers inside the process to ensure the products solve problems. Everything else is part of our network of Business Executives and Consultants; executives who have built and turned-around businesses, consultants who have advised global companies. Here is how it works:

1. **RESEARCH**. gWORX combines meta research (research conducted by research institutions, entrepreneurship foundations, etc.) with data collected from our clients to uncover growth problems to solve.
2. **BUILD**. We search our Library of Best Practices and Network of Experts to turn problems into products and solutions. Instead of hiring a consultant or executive, we make the research and years of experience into user-friendly DIY tools.
3. **TEST**. Unlike most R&D (Research & Development) operations, we reverse that process by Developing new tools and then work directly with customers to understand how well it works and the results it produces. This real-time Research allows us to build fast and build right.
4. **ENGAGE**. We are constantly sharing our lessons learned with our Friends, Connections, Followers – if you want to know what we know check out our Facebook, Google +, LinkedIn, Twitter Pages, and the ownrlife Blog. We are the unconsultants – no black box, no voodoo – just experience based on facts.
5. **SHARE**. Usually known as selling, we work with our future customers to find a way to make our products (solutions) available. You can purchase our DIY Products and do-it-yourself, or purchase

DIY+ and receive on demand help using the tools. The place to start is joining our GrowthWorx Community and get inside the totality of our offer. BTW – we also run Performance Accelerators to help multiple business remove growth barriers, and have a Turnaround Practice that will get your business back on track.

6. **SERVICE**. Our relationship doesn't end at the sale, it accelerates. Our goal, the reason gWORX exists is to help business owners grow their companies, generate wealth for themselves and their families, and provide quality jobs that makes the community a better place to live.

This is just a sample of what makes us different but don't our word for it. Follow us in social media and checkout our free resources. We provide what you cannot afford from our competitors. Once you have evaluated the quality of our information and insights, join our Community and take your business to the next level.

If You Knew What We Know

1.0 Entrepreneurial Economy. This section is based on research we cobbled together from several difference sources. Originally the purpose was to create accurate data for our strategic planning process. After sharing it with clients, we realized the information was not widely distributed. We expanded it into a presentation for communities trying to attract High Impact Firm's to affect job creation. This section is reasonably complete and contains the majority of our insights.

2.0 Economic Driven Initiatives. Building expertise in one area usually bleeds into others. In this case we took our analysis methods from decades of large enterprise consulting and combined with the Entrepreneurial Economy to develop a model for determining business initiatives based on the current economic situation. This section is a macro swipe of the topic and the basis for more detailed insights.

3.0 5.15.80 Model. One of our 3 core principles, it provides both an tool to evaluate business performance and a model for identifying cause and effect relationships. Most of our materials are focused on how businesses move from the (1) barely surviving 80% to the (2) successful 15% searching for “what is next”, (3) providing the 15% with a model for identifying their next moves to become the 5%, and (4) providing a model for the Elite to sustain their market dominance. This section is a macro swipe of the topic and the basis for more detailed insights.

4.0 High Impact Firms. Our journey from large corporate consulting to the entrepreneurial economy started here. Starting with research into Gazelle's and later with High Impact Firm's (HIF's), it provided a focus for “what is the end game” for clients using our tools. Not every business owner / entrepreneur seeks this end. In fact of the 28 million small businesses in the United States (under $50m in revenue, under 500 employees), only 7 million are incorporated. The end game is a decision for each owner / entrepreneur, our objective is to find current and future growth companies and help make the journey faster with less mistakes. This section is a macro swipe of the topic and the basis for more detailed insights.

5.0 Growth Life Cycles. The second of 3 core principles, it takes the 5.15.80 Model and breaks into the predictable stages of growth. The original research had 10 stages including both growth and decay. We stopped working with the “death stages” and reframed the entire model into six positive stages. The key here - nothing is guaranteed; businesses will only move through each cycle if the owner is focused on the demands of that stage. We have been in the middle of these concepts for the last 15 years. This section is a macro swipe of the topic and the basis for more detailed insights.

6.0 Core Business Processes. The third of 3 core principles and an expansion on the Growth Life Cycles, it proscribes very specific actions in a sequence of design and implementation. The key activity for business owners and the difference between small business and large corporate leadership / management is building infrastructure. Small business do not have the luxury of extra resources (people, money, time) which means building the right piece at the right time is the only choice. The question is “what are the right pieces right now?” This section is a macro swipe of the topic and the basis for more detailed insights.

7.0 DIY Bundles. We are structured like an open source software company where snippets of code are created and then the “part” *is stored* awaiting a request to assemble something. It makes the process of product development easy because we just string the code together. However, when viewed from the outside, we are frequency questioned over exactly “what do we do.” Not a good reoccurring question from potential clients. We took our experience over the last decade and bundled the code into common packages. At the moment the previous 6 topics provide a good example of what you can build for you. *This section is a macro swipe of the topic and the basis for Product One Sheets and Quick Tips.*

8.0 Best Practices. This is the underlying code behind everything. 4 Major Categories, 34 Best Practices, 296 Attributes. This is the parts bin where we build solutions with our clients. The Best Practices section is a macro swipe of the topic and closed to everyone except our research and development partners. If you are a business coach, trainer, consultant – talk to us about coming inside and getting elbow deep in code.

9.0 Stuff. We have allot of stuff and decided for this version of the Business Primer the following pages represents a solid sample of our expertise.

Where to Start?

1. Review this document
2. Click the embedded Links
3. Join the WNTW Community on Facebook
4. Post Your Questions / Ideas in the Forum Area
5. Join Us on the Radio or in a Webinar

1.0 Entrepreneurial Economy

Summary

Our Meta Analysis of the research on small businesses growth indicates that 99.5% of all new jobs are created by businesses under 500 employees. Companies in the 1-19 employee range created 94% of all the new jobs in the American economy from 1994 through 2008. Companies with 20-499 employees represented another 4.5% for a combined 10.7 million jobs. The companies larger than 500 employees created the remaining .5% of new job creation over the same period.

Background

The area of small business performance and its impact on the economy was largely ignored until the early 1980's. As the United States was recovering from a decade of slow to no growth, high inflation, and high unemployment, the prevailing question most business and government researchers were trying to solve was “how to stimulate job growth”.

Starting with the seminal work of David Birch at M.I.T.'s Center for the Study of Neighborhood and Region Change. He built the most extensive private sector data base on small businesses available at the time. Specifically Birch was able to examine the birth, growth, and death of small businesses and its impact on the economy. Most of the terminology and techniques we use today were based on Birch's work.

In 1981 he originally reported that small businesses which experienced rapid growth spurts had a major influence on job creation, called “gazelle's (fast growth small businesses), a term he created to distinguish from *elephants* (large corporations) and *mice* (low growth small businesses). His original research indicated that Gazelle's created 82% of the jobs, and 80% of those jobs (total of 65%) were created by firms 4 years old and younger.

As his research expanded, in 1994 Birch further refined his work to report that it was not large or small businesses that impacted job growth, it was the Gazelle's or what is now known as High Impact Firms (HIF). His research further indicated that High Impact Firms had 2 unique characteristics: job growth and great innovation. **These HIF's represented only about 4% of all small businesses and they were creating a disproportionate number of the new jobs.**

Since Birch's last publication in the mid 1990's, over 20 major studies have affirmed and refined his findings – that Gazelle's are engines of growth. So that begs the question – exactly what is a Gazelle? A High Growth Firm? And How Do I Become One?

Methodology

The purpose of this segment of the Business Primer is to provide business owners, founders, executives, and other professionals servicing this market with actionable information for creating sustainable growth.

Our research team @gWORX will provide a topical treatment of the subject to cover relevant research, not an extensive drill down. We will demonstrate that creating fast and sustainable growth to become a HIF is within the grasp of any business owner with the vision and willingness to make the investment.

We will start with business classifications to reduce the current Tower of Babel concerning "What is a small business?"

Business Size

In 2002 when we began our research into business growth, the first challenge was to find a common definition for "small business." Depending on which agency or private institution reviewed, nobody had a consistent definition of small businesses. We collected all of the classifications and built a composite model as indicated in Table 1.

We were significantly challenged by lack of consistency between the various agencies and research organizations concerning the definitions and common business sizes. This represents our best attempt to synthesize it in a meaningful way.

Label	Description	Revenue	Employees
Start-Up (SU)	Pre-GoLive, Stage I[1] business has not opened and has no sales.	$0.00	?
Micro Business (MB)	Usually Stage II and early Stage III business.	Under $1 million	1 – 10 employees
Small Business (SB)	Usually Stage III, late Stage II or early Stage IV business.	$1 million - $10 million	11 – 60 employees
Mid Level Enterprise (ME)	Usually Stage V, late Stage IV or early Stage VI businesses (Their First Reinvention).	$10 million - $50 million	61 – 500 employees
Large Enterprise (LE)	After First Reinvention, from late Stage III through early Stage VI.	Over $50 million	Over 500 employees

TABLE 1

1 – gWORX model for business development and reinvention (See Table 8)

Although nearly all high impact and non-high impact companies are about the same size at any given period (in both instances about 95 percent of companies are found in the 1- 19 employee size segment), their change in size over time is remarkably different. On average, high impact companies grew in size between 115 and 400 percent over the 3 year period. By contrast, nearly all other companies grow by no more than one to six percent, and the largest firms among this group have consistently experienced nontrivial **declines** in size ranging, on average, from about 35 to 65 percent.

Although this model has not been adopted by any public agency or private foundation as "the" method of small business classification, for the purposes of this report it is the nomenclature we use to segregate businesses by size.

Business Performance

Once we had a way of classifying any business by employee count & revenue, the second classification was to review their performance levels and sort into cohort groups. Birch's original research used a Likert Scale of 6 categories with specific anchors based on *what was the growth trend line over a three year period?* This created six options:

- **consistent growth** over the period;
- **mixed growth** with year 3 greater than year 1;
- **non-growth** over the period – year 1 and year 3 had the same revenue without any decline;
- **volatile growth** that was mixed but year 3 was less than year 1;
- **mixed decline** where the shifts were not as radical as the volatile category but year 3 was significantly less than year 1;
- and finally revenue **declined consistently** and significantly over the three year period.

This criteria was used in Table 2 to identify superior from average, average from poor performance, and ask the question – what produces the 3 Performance Levels?

Level	Category	Description	Label	%
6	Constant Grower	Experienced consistent growth over the past 3 years.	**High Performance**	**5%**
5	Mixed Grower	Experienced Mixed Growth over the period with year 3 performance higher than year 1.	**Medium Performance**	**15%**
4	Non-Changer	At the end of the period, experienced no real growth or decline – performance in year 3 same as performance in year 1.		
3	Volatile Changer	Experienced mixed growth and decline over the period with year 3 performance below year 1.	**Low Performance**	**80%**
2	Mixed Decliner	Performance over the period is mixed but mostly down. Year 3 performance is less than performance in year 1.		
1	Constant Decliner	Performance over the period is consistently down. Year 3 performance is less than performance in year 1.		

TABLE 2

What is significant about **Table 2** are the *6 Levels of Performance* and the *percentage of small* *businesses in each category*. Starting with Birch's and moving on to data collected by the Internal Revenue Service, the Small Business Administration, and the Bureau of Labor Statistics, all agree that the number of HIF's doesn't exceed 5% of all small businesses. Additionally the percentage of businesses at the Medium Performance Level is approximately 15% with the remaining 80% struggling to stay viable. **This insight allowed use to reduce the original scale from 6 to 3 because the commonalty of solutions for each of the lower categories - Medium Performing Businesses (Levels 4 & 5), and Low Performing Businesses (Levels 3, 2, & 1).**

Once we labeled the type of growth over time, the next question was to differentiate between HIF growth and everyone else. Across all industries, employee & revenue segments, and periods of analysis, **high impact companies generate more revenue with the same share of human capital inputs than all other companies; they are more productive**

Using the 3 segments of 1-19, 20-499, and 500+, the 20 - 499 segment appears to be the most productive when compared with Medium Performing Companies. This is also true when compared to the smaller HIF segment of 1 – 19 employees and the larger 500+ HIF segment. Using the period 1994 – 1998 as an example, HIF's in the 20 - 499 segment were about 40 percent more productive than all other companies in the same employee & revenue segment **(Table 3)**. During the same period, high impact companies in the 1 - 19 and 500 - plus segment were respectively about 10 and 9 percent more productive than all other firms in the corresponding segments.

Indicates the 1-19 employee company's advantage is a function of leadership and management, the 20 – 499 is the addition of effective systems and processes.

Category	Employees	Average Growth
High Performance	1 – 19	10% more productive
High Performance	20 – 499	40% more productive
High Performance	500+	9% more productive

TABLE 3

We will tackle this dynamic (40% more productive) in later segments, however, our research indicated that companies in the 20-499 were able to get the greatest economies of scale when compared to 1-19 HIF's. When making the comparison with 500+ HIF's, we suspect the drop in productivity is the business model no longer maximizes the higher level of resources. The transition from 1-19 to 20-499 is an evolution. The transition from 20-599 to 500+ is a revolution.

The difficulty of sharing data across Governmental Agencies are the inconsistent classifications we addressed in Table 1. The Internal Revenue Service data indicates there are approximately 26 million businesses in the US with 7.4 million incorporated. Further analysis of the 7.4 million is that 120,000 can be classified as a Large Enterprise and are excluded from this paper. Working from 7.3 million Incorporated Businesses, only 370,000, as indicated in Table 4, are producing the majority of jobs in today's economy.

Goal	Category	Description	# of Small Businesses	Performance Level	
Growth Entrepreneur	**Incorporated Businesses** (Chapter C, Sub-Chapter S, LLC, LLP). Income reported and paid under corporate tax designations.	The intention behind business formation is to grow it and (1) sell it, (2) keep it private and past it on to family members, or (3) take it public.	**7,300,000**	High (5%)	**370,000**
				Medium (15%)	**1,100,000**
				Low (80%)	**5,800,000**
Lifestyle Entrepreneur	**Unincorporated Businesses.** Income reported and paid under individual tax rate.	The intention behind business formation is create a job for an individual or family and friends. The end game is to shut it down.	**20,000,000**	**?**	
Total			**27,300,000**		

TABLE 4

The 2011 data from the Small Business Administration on Virginia Based Businesses.

An interesting correlation would be State and Federal Spend on SBA Programs based on Performance Levels.

Category	Employees	Businesses	Performance Level	
Small Employers	<500	145,000	High (5%)	7,250 Companies
			Medium (15%)	21,750 Companies
			Low (80%)	116,000 Companies
Large Employers	>500	3,280		
Lifestyle Entrepreneurs	0	510,297		

Business Age

We now have a functional number of High Impact Firms (HIF's), 370,000, in the United States and about 7,250 in Virginia. What are some defining characteristics.?

This section will focus on the age of business. As Birch stated in his original work the majority of jobs came from small businesses under 5 years old, his original findings didn't withstand a more in-depth studies of the HIF Group. First we had to split the HIF into 2 subgroups – Small Businesses and Mid-Level Enterprises.

On average, across all periods of analysis and all employee & revenue segments, HIF's are younger than all other companies, and the difference in age increases with firm size. The average age of high impact companies in the 1- 19 segment is 17 years, which is 5 years younger than all other companies in the same segment. The average age of high impact companies in the 20 – 499 segment is 25 years, which is 8 years younger than all other companies in the same segment. And the average age of high impact companies in the 500 - plus segment is 35 years, which is 16 years younger than all other companies in the same segment.

The difference in years suggests the High Performing Firms started with a better path to growth.

Category	Employees	Average Age
High Performance	1 – 19	17 years
Medium Performance	1 – 19	22 years
High Performance	20 – 499	25 years
Medium Performance	20 – 499	33 years
High Performance	500+	35 years
Medium Performance	500+	51 years

TABLE 6

2.0 Economic Driven Initiatives

Summary

The next question is what impact does economic conditions have on growth or given the current economy, what is the appropriate response? In section 5.0, Growth Stages, we will address this question using the Growth approach. This section will focus on determining initiatives and making real-time adjustments to current and immediate future conditions.

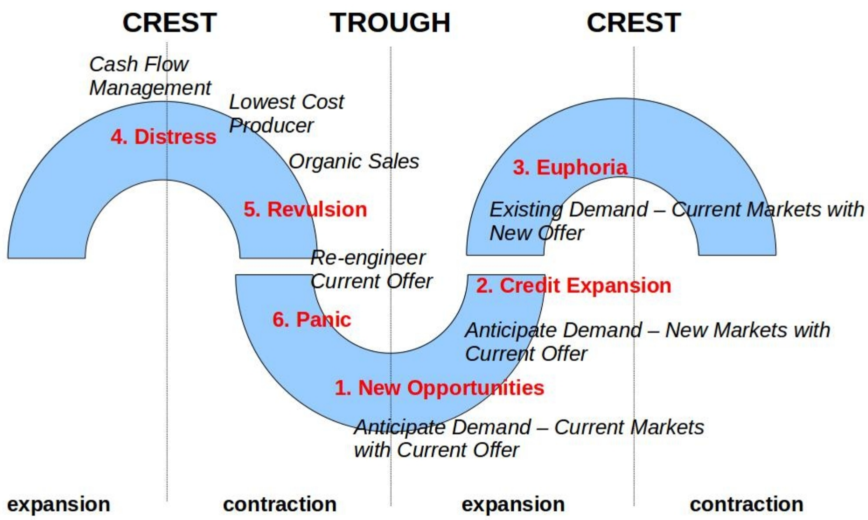


Figure 7

Background

The GrowthWorx engages in a constant, ongoing research function for our marketing and sales processes and clients. Part of this process requires a close examination of the economy to determine what forces are affecting our customers, and how will it affect their buying decisions. When applying this information to our business decisions and offering consulting advice to our clients, the correlations to Stages of Growth are too obvious to ignore. We combined several approaches including stock picking to built this economic cycle model.

The Economic Cycle

Based on the Wave Theory by Ralph Nelson Elliott, the economy can be viewed as a wave with crests (tops) and troughs (bottoms) with two stages – Expansion and Contraction. When you add the economic principle of price communicating value, the wave model can be further divided into 4 distinct steps. What follows are our definitions for the steps and what actions business owners should consider.

1. Market Expansion / True Value > Market Price
2. Market Expansion / True Value < Market Price
3. Market Contraction / True Value < Market Price
4. Market Contraction / True Value > Market Price

At The Bottom – True Value > Market Price

You can start anywhere, but for purposes of this model we choose the bottom as a starting point – a situation where ***Supply Exceeds Demand Suppressing Inventories and Price.*** This is the absolute market bottom where demand has reached its lowest point. Since the market uses price for information (what to make and how to price), the demand for most of products and services makes prices unsustainable.

Step 1 New Opportunities. The market downturn has cleaned out poorly run businesses and their excess inventories – including yours and your customers. It is time to begin aggressively marketing to your existing customers and similar accounts. You might have to continue price concessions, but selling solely on price is about to end.

- YOUR MOVE - Anticipate Demand and Expand into Current Markets with Current Offer.

Step 2 Credit Expansion. Since the downturn, credit has been difficult to acquire and not necessarily a smart decision. If you are in-doubt about customer buying, why take on debt? Now that the economic is in recovery (a view not shared by everyone) and demand is absorbing any remaining inventory, lending institutions are willing to start lending and businesses are willing to borrow because customers have started buying. Also the loss of competitors opens opportunities to expand to unserved markets / niches / customers. When the market starts expanding, it is time to take over your competitors space.

- YOUR MOVE - Anticipate Demand and Expand into New Markets with Current Offer.

Midpoint – True Value = Market Price

Supply Equals Demand with Rising Inventories and Fair Pricing. This location indicates expansion has reached stasis – Demand and Supply are in rough balance, the current market price for a product or service represents fair value. Up to now the price / value proposition was imbalanced with products and services undervalued or not commanding a price that represents true value because of excess supply. However that is changing. Very quickly Demand will Exceed Supply and begin driving up prices. This usually leads to inflation and diminished buying power of the currency. Additionally the market begins its bubble phase because the higher prices will be interpreted as a signal to make and charge more, and soon supply will start exceeding demand.

Step 3 Euphoria. Good times are here again. Everybody has a short memory of the last time, but you know the bubble has started. If you got in early at Steps 1 & 2, now it is time to start preparing the company for the downside by taking advantage of the common euphoria by expanding business with your existing accounts with a new product or service.

- YOUR MOVE - Meet Demand and Expand into Current Markets with a New Offer.

At The Top – True Value < Market Price

Supply Exceeds Demand with Excess Inventories and Inflated Price. This is the opposite of absolute bottom, the economic cycle has reached its peak and now the weight of the wave exceeds its ability to maintain momentum. All of the signs are there, soaring prices, inflated money, easy credit, expanding inventories, and many new competitors – the wise realize the party is about to be over – the bubble is about to burst. As a business owner it is time to leave the table, cash in your chips, and get ready for heavy seas.

Step 4 Distress. The smart are out and already conserving cash. They are cleaning up their credit accounts with their investors, creditors, and suppliers. Everybody else is reacting to what was obvious but they have no plans for surviving the upcoming winter. While they are wondering what to do next next, the smart are ensuring seed for the next seasons crops are saved because the contraction will end and those ready to act early will benefit the most in the next expansion.

- YOUR MOVE – Focus on Cash Flow Management, Lean Up the Organization by Significantly Reducing Fixed Costs.

Step 5 Revulsion. For the businesses that didn't heed the warning signs of a contracting market, the true depth of this contraction is becoming obvious. Usually they focus inward about what we should have done and didn't. New sales are shrinking and existing customers are cutting back. The financial situation is becoming critical – outflow of cash exceeds inflow drawing upon savings and pushing credit limits.

- YOUR MOVE – Focus on Cash Flow Management, Lean Up the Operation by Significantly Reducing Variable Costs and Lower Prices to Existing Customers with the Cost Savings.

Midpoint – True Value = Market Price

Step 6 Panic. Even for the well prepared, this time is challenging. Much like the “it is the darkest right before dawn” analogy, everyone is wondering how long can we last? The badly run businesses are either gone or folding during this period. Time to expand market research and track the early signs of expansion; begin your planning for the next growth spurt.

- YOUR MOVE –Improve your Core Products & Services during the Slack Time.

Interested in Receiving Real-Time Information and Analysis on the Economy and it's Impact on Your Business? Become a Member of WNTW’s Facebook Community (facebook.com/groups/177693949823752/)

3.0 5.15.80 Model

Summary

Building on one of our major pillars, we can take the HIF model much further by classifying all of the remaining small businesses. This is much like the Pareto Model or 80 / 20 Rule with a further break down of the performing 20% into 2 segments - 5% and 15%.

Background

Our research is based on work by Bureau of Labor Statistics, the Small Business Administration, and The Kauffman Foundation on High Impact Firms (HIF).

As previously discussed, HIF's are critical to a healthy economy because they create 95% of new jobs and yet represent only 5% of all small businesses. We took that research and compared it to our Library of Best Practices for Fast Growth Companies creating the 5.15.80 Performance Model. The top 5% dominate their markets and their core concern is SUSTAINING success – to a BreakOUT – a major reinvention.

The middle 15% represent firms doing OK but unsure about how to take the company to the next level. Their core concern is how to BreakTHRU.

The remaining 80% represents businesses that are struggling to compete in the current environment, they are one or two moves away from disaster. Their focus is how to Reset the business and fight another day. Their core concern is how to consistently achieve BREAKEVEN.

3 Levels of Small Business Performance

- **HIF** (High Impact Firms): **5%** of the companies that achieved 25% or greater sales growth (doubling revenue every 4 years) and have doubled employment in the last 3 years.
- **pHGF** (potential High Growth Firms): **15%** of the companies that are one or two moves away from breaking out
- **lGF** (low Growth Firms): **80%** of the companies have a low probability of growth, most in survival mode.

The Under Performing Many, The 80%

The 80% makes up the majority of small businesses today. They are barely hanging on and need to rethink where they are and what they are doing. They need to focus on (1) achieving operational efficiency to become the lowest cost producer (this is not about price) in their markets, (2) enhance their offer by improving the existing product line to make it distinctive and take the pressure off price, and (3) professionalize management to blend frugality with developing people. **The most**

stark element of our research for the 80% was to attack cost and capacity first instead of pursuing revenue.

Almost all of the companies we studied went bankrupt with a sales - not cost first approach.

RESET to BreakEven

3 Critical Elements

1. Achieve Operational Efficiency
2. Distinctify the Offer
3. Professionalize Leadership & Management

The Uncertain Few, The 15%

The 15% firm is defined as a company that is one or two steps away from **the 5%**. They need to focus on (1) researching the market to identify high growth opportunities (companies with unmet or under met needs with solid financials), (2) specializing the offer (narrowcast to micro-segment the targeted market) to solve unique problems, and (3) a significant investment in marketing and sales. Our research indicated more companies went out of business in this stage than any other because of the destruction of working capital – the inability to grow fast AND UNDER CONTROL.

The core issue to obtaining hockey stick growth is the investment in branding, marketing, and sales.

Our assumption is capacity issues were addressed as the company moved from the 80% to the 15%.

BreakThru to PROFIT

3 Critical Elements

1. Market Penetration & Positioning
2. Narrowcasting the Offer
3. Aggressive Marketing & Selling

The Elite 5%

The Elite are the Elite because they dominate markets, they create the standards that everyone else is copying, and while the competition is trying to catch-up, these company's are reinventing the business. This status is fleeting and is more difficult to Sustain than reach.

BreakOut to SUSTAIN

2 Options: Sell the Business @Peak Value or REINVENT to Create Greater Value -
SUSTAIN by REINVENTION

1. Maximize Profits / Minimize Cost
2. Identify Future Competitive Advantage
3. Co-Develop New Products & Services with Customers & Suppliers

At this point, the fundamental question: sell the firm now when it has the highest value or reinvent it through the disciplined use of innovation?. Firms at this stage now have sufficient internal resources to build new products, services, and processes with help from suppliers and customers. OR they are worth top dollar – they are at the maximum salable price without further reinvestment. If they decide to stay in business and renew their company, the ability to bring in outside experts such as suppliers and customers is critical for innovation. None of the successful companies built anything on spec - they built with help from customers and suppliers to ensure most of predictable problems and risk associated with a new launch were minimized.

The core issue is to reinvent the company, either it's offer and/or how it does business – it can be anything except reinvention of the Brand.

Our assumption is the hyper-growth issues were addressed as the company moved from the 15% to the Elite 5%.

4.0 High Impact Firms

Summary

The end game of becoming an Elite 5% Business drives many of our solution bundles. It is also a well funded focus for many communities to attract HIF's. Everybody wants to bring in this type of company because they are net employers and with the lowest labor participation rate in history, most communities are willing to spend money to entice them to relocate. Our position is very different, instead of finding them and providing a “deal you cannot refuse”, what if a regional area committed to build HIF's from existing businesses?

Background

In our previously cited research, one of the outcomes from our research on job creation were 4 characteristics which separated the Elite 5% from the herd. The following represents a synopsis of the data with the understanding that each organization pursued these in ways unique to their respective industries.

Leadership's Focus on Resources

- Sales focus on Business Development – achieving 100% of client spend on comparable products & services;
- Marketing Spend = 10 - 15% of revenue per year to build brand presence and reduce cold calling;
- Greater specialization instead of new product development - narrow focus on micro-segmenting (minor differences from client to client) existing products and services instead of broadening presence into new markets.

Leadership's Focus on Strategies

- All elements of the customers experience are very distinctive and unique - stand alone branding by company, executives / owners as Thought Leaders, and products, and services;
- Narrow focus on target accounts - define your offer within clients by the value provided;
- Development of specialized products and services - build it for them first, then generalize into adjacent markets;
- Use of marketing partnerships - lever the reach of your customers and suppliers.

Leadership's Focus on Clients

- Specific and detailed descriptions of core clients – market research into why are your best accounts your best accounts;
- 31% increased growth rate and 20% increase in profits from research - understand before you build, never build on spec, always co-develop with customers and suppliers.

Marketing and Sales

- Leveraging Face-to-Face Contacts:
  - Partnering instead of Formal Distributorships;
  - Websites instead of Conferences & Trade Shows;
  - Referrals instead of Networking;
  - Use of outside experts instead of cold calling;
  - Sales training of non-sales staff instead of spending on Print Ads.

This list of Characteristics correlates closely with our Meta Research on Fast Growth companies. Our initial research was conducted over a 2 year period in 2002-2004 on start-ups that managed to grow from zero into market dominator's including billion dollar firms that went public.

We found 34 Best Practices containing 296 Attributes when deployed at the right time differentiated Company's experiencing Fast from Average growth.

Interested in moving your company from the 80% to 15%? Moving your company from the 15% to 5%? Sustain your 5% Market Dominance? Become a Member of the WNTW Community on Facebook (facebook.com/groups/177693949823752/)

5.0 Growth Life Cycles

Summary

The other pillar of the GrowthWorx approach. Given our experience of 6 Start-ups with 2 very successfull, 2 colossal failure, and 2 in the middle, we asked ourselves why. The journey to answer this question created the LOCOTUS Codex – our Library of Best Practices.

Background

Once we had identified WHAT these companies did to Break Out from the field and Sustain Growth over time, the challenge was to go beyond the initial research and understand the details of HOW and WHEN. As we further analyzed our 25 top firms there was a pattern to their tactics. Building a company is like building a house, the more time you spend on the blueprints and anticipating its function over time, the better the plan for expansion. Most of the average companies suffered from the “ugly house” syndrome. At the beginning they bought starter homes that would barely meet today's needs because it was all they could afford. As their needs grew, they finished the basement, added rooms, landscaped, etc., but at the end although the house was functional, the expansion was haphazard. If the owner decided they really wanted to Break Out, this structure would no longer suffice and a new house would be needed.

This analogy explains why most companies grow to a certain point and then encounter almost insurmountable barriers for moving to the next level - they have to tear it down and start from scratch. The Fast Growth Companies planned for expansion from the beginning and were not forced to undo years of building brand and relationships - they used the past as the foundation for the future.

The pattern we observed, supported by Dr. Ichak Adize’s research on the stages of growth, there were 10 Stages of Growth, Optimization, and Death. The next question is obvious “what if we managed the Growth and Optimization Stages and avoided Death, would we find the answer to (1) How these companies grew fast, (2) What actions did they take, and (3) When?”

We aggregated Adize’s research into 6 Stages of Growth and Optimization (ignoring the death stages) and bundled it into similar Issues & Solutions: Performance, Profits, and Renewal.

Phases & Stages of Fast and Sustainable Growth

Starting with the end in mind, the focus of this segment is not about business perfection, which is not possible beyond a fleeting moment. Living in a dynamic environment requires quick decisions under conditions of limited information - decisions that are less than perfect and have consequences known and unknown.

Our research over the past 15 years and 6 start-ups demonstrated the growth process is dynamic and predictable, but not preordained. In general terms, all well managed businesses go through a minimum of **2 Phases**; **Performance** and **Profits**, and depending on the owners long term goal – a **3rd Phase** of **Renewal**. Each Phase has a set of Stages necessary to successfully complete the goals of each Phase.

Our objective is to enable you to achieve a state of optimization where the assets of the company are best utilized to achieve its goals, and to follow through on your long-term plan – sell or reinvent the business. There is a third outcome, **decay** which is the result of not having clarity on the end game for the business. Since it is a result of poor growth leadership or procrastination, it warrants no further elaboration.

The GrowthWorx's primary lesson after three decades of business consulting is each Growth Phase & Stage present a set of challenges that must be met and a series of failure points avoided. None of these challenges are positive or negative in the traditional sense. Instead the issues confronting the business owner should be viewed as "Normal" or "Abnormal" - are these challenges predictable for a specific stage or not?

Every company, regardless of the economy (see 2.0 Economic Driven Initiatives for further information), *can thrive - not just survive and achieve fast and sustainable growth*. The difference is informed leadership and our Phases and Stages of Growth Report provides structure to those demands:

Performance Phase

- Stage I: Dream2Plan;
- Stage II: GoLive; and
- Stage III: NextAct.

Profits Phase

- Stage IV: BigFast; and
- Stage V: Optimize.

Renewal Phase

- Stage VI: Reinvention; and / or SELL!
- Stage III: NextAct

Business Development Model

	Stage I	Stage II	Stage III	Stage IV	Stage V	Stage VI
Key Part of Org. Structure	**Top**	**Front**	**Middle**	**Support**	**Technology**	**Project**
Management Methods	*Direct Supervision*	*Direct Supervision*	*Processes*	*Results*	*Team Work*	*Innovation*
Core Processes to Build	F1. Financial Accounting **S1. Brand & Strategy**	**C1. New Client Sales**	F2. Activity Based Costing **P1. Production and Service** **C2. Sales to Existing Clients**	S2. Tactical Plan – Budgets R1. Attracting & Selecting	R2. Performance Management	P2. New Product – Service Development
Failure Points	Under capitalized, Too slow to market,Tasks overwhelm owner/founder, Business idea is not workable	Owner not engaged in sales, No sales processes, Wrong sales model, Bad offer/wrong customers	Owner Trap – can't make transition from hands on – working IN the business to delegation – working ON	Destruction of working capital, insufficient infrastructure	Indecision – not prepared or unwilling to sell, reinvent – therefore suffer slow decay	Insufficient investment, too many priorities, internally driven innovation

TABLE 8

Table 8 represents a synopsis each Growth Stage and one of several pieces of original research by GrowthWorx.

Reinvention Cycles to a Billion

When we looked at these fast growth companies over time, they demonstrated 3 distinct growth paths of 4, 6, and 12 years. Our research indicated some of the variables: quality of leadership, access to capital, growth of the market, financial strength of customers.

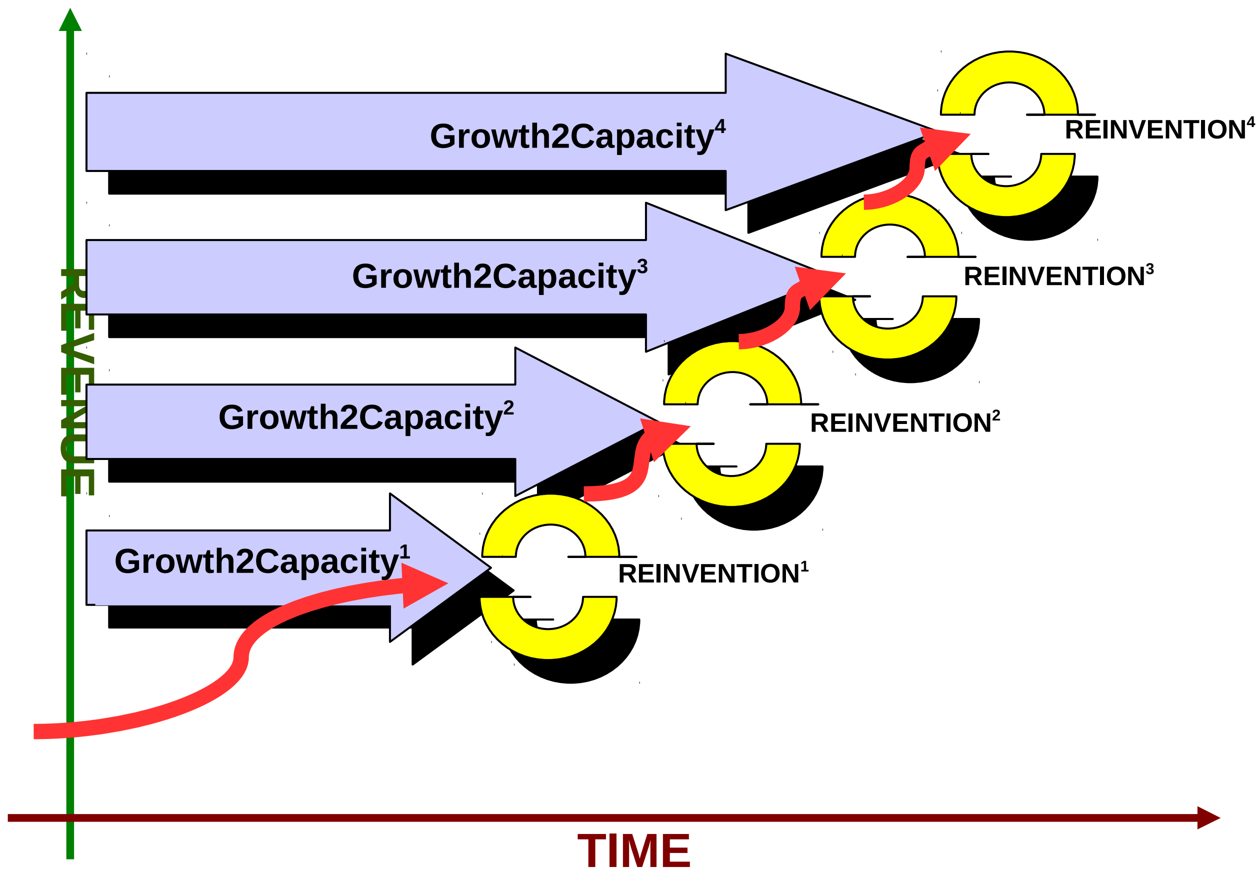


Figure 9

Growth to Capacity (Growth2Capacity or G2C)

- Right Investments into Market Intelligence, Brand & Strategy, Systems & Process, and Talent based upon the Stage of Growth

3 Distinct Growth Paths to a Billion $

- 4 Years from 1st Reinvention
- 6 Years from 1st Reinvention
- 12 Years from 1st Reinvention

6.0 Core Business Processes

Summary

This our third pillar for business growth and answers the question of what do you build when. Each of these 5 Systems and the corresponding core processes (Table 8) must be in place if your aspiration is beyond just the Elite 5%, but something bigger – taking it to a billion dollars.

Background

Companies or organizations are more than just economic entities, they are networks of people living within an open society. These societies need structure to succeed, to prevail over time and building core processes is the method of ensuring that success. There exists ten generalized core processes required to build and sustain a modern organization. In a mature organization all ten are present, in new and growing companies each is built at the appropriate time. The five major systems are: **FINANCIAL, PRODUCTION, SALES, STRATEGY,** and **PEOPLE**.

Financial Accounting (F1)

One of two financial processes that prepares financial statements for decision makers, stockholders, suppliers, banks, employees, government agencies, owners, and other stakeholders. It is also used to prepare accounting information for people outside the organization or not involved in the day to day running of the company. It is a trailing indicator or metric of past performance.

Managerial Accounting (F2)

The second of two financial processes is concerned with the use of accounting information by managers within organizations, providing them with the basis of informed business decisions. It allows them to be better equipped in their management and control functions. In contrast to financial accountancy information, management accounting information is designed and intended for use by managers within the organization, instead of being intended for use by shareholders, creditors, and public regulators.

Strategy Formulation (S1)

One of two processes for determining long-term brand identity and creating strategy or direction, and making decisions on allocating its resources to pursue this strategy, including capital and people. Various business analysis techniques can be used in strategic planning, including SWOT analysis (Strengths, Weaknesses, Opportunities, and Threats), ECCP analysis (Economic, Competitor, Customer, and Product (Service)), STEER analysis (Socio-cultural, Technological, Economic, Ecological, and Regulatory factors), and EPISTEL (Environment, Political, Informative, Social, Technological, Economic and Legal). Our approach is much simpler RESZ

(Regulatory, Economic, Scientific, and Zeitgeist). Based upon information and decisions made in Organizational Strategy, Market Segmentation, and Branding, the major elements of Strategy Planning are the Yearly Plan, Internal Venture Capital Investments, and Tactics and Budgeting.

Resource Deployment (S2)

The second of two strategy processes it focuses on making resource decisions. Also known as budgeting, the objective is to ensure major yearly initiatives are fully funded and everyone in the organization has line of sight to achieve business results. Instead of using the traditional historical approach (last year plus), most successful organizations are employing a "venture capital" approach. This has all of parts of the company building implementation plans and competing for funding based upon results promised and substantiated.

New Client Sales (C1)

One two sales processes designed to attract new clients. It encompasses building brand awareness, conducting marketing campaigns, selection and executing the appropriate sales model, and managing the sales funnel. It usually requires investing in a scalable CRM (Customer Relationship Management) package to support a detailed and obsessive attention to the entire sales process. The implementation of a CRM requires some customization to fit the sales model and making data capture user friendly.

Organic Sales (C2)

The second of two sales processes is designed for selling to existing customers. Sales growth with existing customers is more cost effective than acquiring new customers and is the prime source of process and products & services improvements. This process should be designed at the same time as New Client Sales to ensure it is integrated to share information from the CRM. Success of this process depends on identifying the most profitable customers and understanding why.

Production & Service Execution (P1)

The first of two production (products & services) and execution (service or customer experience) processes are focused on building it right the first time. The goal is to become the lowest cost producer (LCP): build it faster, for less, and with equal or superior quality (depending on the company's value discipline) than the competition. Most organizations determine, prior to building these processes, on which quality model (TQM, Lean, Six Sigma, etc.) is most appropriate for their offer and employ those principles for engineering or reenginering a process.

New Product & Service Development (P2)

The second of two processes used for the development of new products and services. This is not the traditional R&D, but D&R (Development & Research), a collaborative development process with clients, suppliers, and experts to upgrade or create new offers. The pre-release offer is tested with existing accounts before introducing it to new customers. Additionally it employs the same quality processes identified in P1. Product & Service Execution.

Recruiting & Selecting (R1)

The first of two "people" or relationship processes, it focuses on the selection and development of relationships. The relationships include employees, suppliers, and investors (customers are handled in the two sales processes). The first component is about attracting and selecting the best and the second about developing the relationship so it is mutually beneficial to everyone involved.

Performance Management (R2)

The second of the people or relationship processes and concerned with measuring and managing relationships. When focused on employees, it is the construction and operating a traditional performance process with the goal to drive frequent conversations on performance, provide timely feedback, and ensure appropriate consequences (positive and negative) to results. It also includes compensation to ensure the organization is paying for the right behavior and/or outcomes. The same general process works when applied to suppliers and investors - all relationships must have a conscious and dedicated process to provide mutual benefit to all stakeholders.

7.0 DIY Bundles

Summary

We have bundled our individual DIY Tools into packages that impact different aspects of Achieving Consistent Results and Sustainable Growth. Each Package is a mix of GrowthWorx Tools and Application Support assembled and customized for clients.

Background

The emphasis at GrowthWorx is to eliminate as much labor as possible and bring the the cost of solutions down. Our experience with large corporate consulting is the client has the budget to afford high quality consulting if they perceive value. That situation doesn't exist with companies under $50 million, especially in the $1 to 10 million category. Using that mindset, we designed our products as self-help or DIY Tools that require limited application support.

Solution Bundles

- HIF – Becoming a High Impact Firm
- RESET – Achieve Consistent Results
- BreakTHRU – Achieve Hockey Stick Growth
- BreakOUT – Sustain Market Dominance
- BizDev – Executive Business Development
- BizGame – Measuring Employee Performance

HIF – Becoming a High Impact Firm

We bundle together the 4 Characteristics of a HIF Project: Strategy, Client Focus, Marketing & Sales, and Management Focus into a single approach. The package applies our standard 3 Step Consulting Process – **assess** the current state to **determine root cause** and FOCUS the effort. Second we work collaboratively with the client's key people to **design and align** the IMPROVEMENT plan. Finally we **combine current metrics** with **new measures** to TRACK progress to make the project pay-off.

RESET – Achieve Consistent Results

We bundle together the 3 Characteristics of a RESET Project: Achieve Operational Efficiency, Distinctify the Offer, and Professionalize Leadership & Management into a single approach. The package applies our standard 3 Step Consulting Process – **assess** the current state to **determine root cause** and FOCUS the effort. Second we work collaboratively with the client's key people to **design and align** the IMPROVEMENT plan. Finally we **combine current metrics** with **new measures** to TRACK progress to make the project pay-off.

BreakTHRU – Achieve Hockey Stick Growth

We bundle together the 3 Characteristics of a BreakTHRU Project: Market Penetration & Positioning, Narrowcasting the Offer, and Aggressively Market & Sell into a single approach. The package applies our standard 3 Step Consulting Process – **assess** the current state to **determine root cause** and FOCUS the effort. Second we work collaboratively with the client's key people to **design and align** the IMPROVEMENT plan. Finally we **combine current metrics** with **new measures** to TRACK progress to make the project pay-off.

BreakOUT – Sustain Market Dominance

We bundle together the 3 Characteristics of a BreakOUT Project: Maximize Profits / Minimize Costs, Identify Future Competitive Advantage, and Co-Develop New Products & Services with Customers & Suppliers into a single approach. The package applies our standard 3 Step Consulting Process – **assess** the current state to **determine root cause** and FOCUS the effort. Second we work collaboratively with the client's key people to **design and align** the IMPROVEMENT plan. Finally we **combine current metrics** with **new measures** to TRACK progress to make the project pay-off.

BizDev – Executive Business Development

The Business Development Bundle is half of our HIF Project focused solely on the entire Business Development Chain: Marketing, Sales, and Service. Most businesses under $50 million in revenue struggle with these functions because of the lack of expertise / resources. Our approach is to **assess** the current state to **determine root cause** and FOCUS the effort. Second we work collaboratively with the client's key people to **design and align** the IMPROVEMENT plan which includes automation through software. Finally we **combine current metrics** with **new measures** contained in the BizDev Platform to TRACK progress to make the project pay-off.

Accelerator by Radio

Our out-of-the-box approach for helping a specific category of business:

- Growth Entrepreneurs (page 11)
- Micro-Small Business (page 8)
- Small Employers (page 11)
- Non-Changer to Constant Grower (page 9)

Basically we designed an interactive program where the majority of the critical information (training) is transmitted over the air waves every Friday at 3-4pm, Saturday & Sunday at 10-11am. The Friday show is live and you can call 804.454.1366 with questions and support. Saturday & Sunday are rebroadcasts. These show are followed by a Monday evening webinar at 8pm to discuss the materials in real-time.

If you are interested in joining the WNTW Accelerator for businesses in the Greater RVA, Tri-Cities, and surrounding counties of Dinwiddie, Chesterfield, Colonial Heights, Prince George, Hopewell, Henrico, Charles City, and New Kent – signup at https://wntwtheanswer.com/lets-talk. You can start at anytime and we will offer a Tuesday webinar for the late comers.

It is your choice, use the information contained in this Business Primer to grow your business and this document is just the start, or store it in a file cabinet.

8.0 Best Practices

Summary

Everything we do begins and ends with Codex LOCOTUS, our Library of Best Practices. The Codex is constantly updated from our ongoing research on business performance and growth as well as experience working with clients. It currently has 4 Categories, 34 Best Practices, and 296 Attributes that measure attitudes, individual and group behavior, organizational performance, and impact in the marketplace. Included in that process we capture the perceptions of employees, supervisors, managers, executives, suppliers, and customers to build a composite picture of current reality.

Background

The seeds of the database were germinated in the late 1990's. The library creators were working as partners in major consulting firms. We had great success competing against the big house firms except in the area of analysis. The **essence of consulting is getting the diagnosis right so your prescriptions will produced the promised results**.

Unlike the McKinsey's, Accenture's, etc., we didn't have a diagnostic tool to support the consulting process. Although we extensively used interviews or qualitative analysis, that approach had a host of problems. It is time consuming, expensive, and makes statistical comparisons difficult. We investigated developing an instrument but lacked the funding and manpower to build a competitive product. However the seeds were planted and ready for nurture.

Fast forward to 2002 and the failure of an eLearning start-up for small business. We had just established a partnership with the University of Nevada Las Vegas and used the opportunity with the Schools of Business and Gaming to begin researching the feasibility of building the library.

The library creators **created a working group modeled on open source software development and created a research team called the OCP (open content project).** The original members were management consultants, professors, and recognized thought leaders from various disciplines. This team developed the search criteria and began an extensive review of the literature on fast and sustainable growth. They located 25 well documented and sound studies on **how companies grew from zero to market value of over $1 billion without early Angel or Venture Capital.**

Using a process previously developed for qualitative analysis, the team built a model of the characteristics for fast and sustainable growth. The sort criteria was an identified "attribute" or behavior that made this group of companies different and it had to be present in 75% of the studies for inclusion. This process was completed in 2003 and led to the development of knowledge products - assessments and surveys.

The OCP team spent 2004 building and testing the products, and by mid 2005 had completed alpha and beta testing in Atlanta. The initial product - FORECAST was released in 2006 in Calgary Alberta to establish the model was not US centric.

Since 2006, the OCP team has developed 4 assessments and 8 surveys as standard products from applications with over 200 organizations in North America. Currently there are almost 6,100 variations of the attributes available for deployment or development.

As you review the table below, it is organized into four components - **Categories, Description, Best Practices, and Attributes**.

Attributes are the behaviors from the research; the actions, attitudes, and knowledge these organizations used to grow their companies from Zero to Market Dominance.

Best Practices are statistical groupings of attributes. As we conducted the alpha and beta testing, the data indicated the attributes are clustered in like groups.

Categories are the statistical groupings of best practices and are clustered into four like groups.

1. An easy way to look at the library is from big to small. All of these companies conducted research on the market, competitors and their offer, and the targeted customers to understand current and future **competitive advantage**.
2. Once competitive advantage was identified, they worked hard on creating and building brand. This was not a short term perspective, but a vision of the future. They then constructed a yearly strategy to implement brand and align people with the vision – their **core competence**.
3. With competitive advantage and core competence in place, they structured the organization on core processes - aligning production and service processes with customers to create **productive capacity**.
4. The last task was to find, develop, and compensate talent. The reason this was last had nothing to do with people being last. Rather it was based on the evidence that average people in great systems will outperform great people in poor systems. Imagine the power of an organization that is a leader in implementing industry defining processes and challenges great people to perform at their highest level – tapping into **discretionary performance!**

Best Practice Matrix

Category	Description	Best Practices
Market Intelligence (MI)	(Competitive Advantage) The essence of understanding market leadership, it identifies where the organization can excel and is the matched set for Brand & Strategy. Competitive Advantage exist in both real time and the future, understanding the under or unserved needs with significant financial gain of a targeted niche.	• Competitive Landscape • Product to Knowledge • Targeted Industries

Category	Description	Best Practices
Brand & Strategy (BS)	(Core Competency) It starts with brand, and what makes your brand superior in the eyes of the customer. Not just a marketing campaign, it is about perceived customer benefits of your end product and the experience of buying and using it, difficult for competitors to imitate, and finally creates uniqueness from the competition.	• Stakeholder Contribution • Infrastructure Alignment • Cultural Adaptability • Goal Integration • Resource Deployment • Intellectual Leadership • Migration Management • Change Readiness • Strategic Response • Targeted Accounts
Systems & Processes (SP)	(Productive Capacity) The essence of your business model, it measures the organization's ability to provide products, services, and generate customer enthusiasm in specified markets. It is the delivery component for Core Competency.	• Information Acquisition • Development & Research • Process Design • Knowledge Dissemination • Production Equipment • Inventory Management • Preventive Maintenance • Process Reengineering • Project Management • Beta Testing • Operations to Knowledge
Human Performance (HP)	(Discretionary Performance) The amount of performance the organization can capture beyond what is required. Typically, standards are set artificially low. No business is able to sustain itself when people do the minimum. Every successful company has a competitive advantage through people who work harder then required or compensated.	• Knowledge Development • Motivating Work • Employer of Choice • Work Organization • Group Performance • Performance Feedback • Behavioral Boundaries • Objective Setting • Role Clarity • Skills Training

TABLE 10

9.0 Podcasts – "Solutions on Demand"

Summary

Our Podcasts are a function of trying several methods to provide DIY Tools that minimized services. Although we have successfully operate an internet radio show on the BIZLIVE.news Network, our focus on the production and utilization of podcasts is driven by our weekly business talk radio show in Richmond, Va.

Background

The design of Solutions on Demand is to use 40 years of consulting expertise with the last 15 years dedicated to growing small businesses through the medium of radio. We are entrepreneurs and understand how difficult it is to do everything while maintaining a schedule. All you have to do is to listen to WNTW 820AM/92.7FM live of Friday or rebroadcast on Saturday and Sunday plus make 90 minutes available on Monday night. The alternative is groundhog day.

Solutions on Demand Podcasts & Blog Posts

- Podcasts: https://wntwtheanswer.com/solutions-on-demand
- Blog Posts: https://wntwtheanswer.com/blog