

GROWING BEYOND PLATEAUS

published in FEMALE ENTREPRENEUR magazine, Spring 2004

What Constitutes a “Plateau”?

When a woman business owner says that her “business has been pretty “flat,” in a single word, she conveys a lack of change in gross revenue, net profit, the size or number of customers, and the number of employees. You can just imagine the graphs and charts being reviewed at her company meetings.

How long must “the numbers” be flat to constitute a plateau? Since a plateau is company-specific, flat numbers simply need to last longer for that company than industry averages for comparably sized businesses to constitute a plateau.

The word “flat” also conveys how it feels to work at that business. Energy levels are flat. The previously vibrant tastes of innovative juices now seem flat.

Preventing Plateaus is a Matter of Economic Development

Preventing plateaus is difficult for owners of the overwhelming majority of small businesses because they really have “incorporated careers.” Their businesses revolve around their skills, interests, needs, schedules, and health. But when the owner of an “incorporated career” starts to get tired, wonders why her business won’t grow, wishes she would be able to sell the business at some point, or becomes worried about insufficient retirement funds, it often feels too late to learn how to get out of her own way.

What Causes a “Plateau”?

Certainly, shifting economic winds can slow the growth of a company that had previously been on fire. Increased challenges from well-financed competitors can stifle sustained growth. Road construction that dramatically reduces accessibility of a business, the fickleness of some customers, or the introduction of new channels of distribution can all set a company back.

But frankly, these external factors don’t result in plateaus unless the psychic energy of the company had been compromised prior to the adverse external factor. The people in a business that has a hunger to succeed and a sustained thirst for growth have become accustomed to facing challenges and don’t over react or use the external problem as an excuse to coast.

When Do Plateaus Occur?

Plateaus can be caused by changes in the market place and/or an increased cost of debt (financing), but more often they are created by management issues rather than external causes. In my experience, plateaus are most often a matter of organizational dynamics, a loss of psychic energy, and/or an inability of the owner(s) to face transformational change. And, as a company-specific phenomenon, one might conclude that the point at which plateaus occur would vary widely from one company to another mirroring the individuality of the people involved. But, my 30+ years of consulting with 800+ growth-oriented companies has taught me that there are definite patterns behind plateaus that cross industry lines and geographic boundaries.

The first “classic” plateau occurs when a single business owner has the equivalent of 5-7 full time employees. Service-oriented businesses are particularly susceptible to the development of this plateau because so many owners of small service-oriented businesses established their companies to permit them offer a service they personally enjoy providing. They really have what I call “incorporated careers” instead of full-fledged enterprises that are focused on building value (equity).

The 5-7 person plateau occurs because there are a limited number of hours in a day, a week, a month, a year. If the owner is personally involved with the delivery of service to customers (accounting, consulting, graphic design, whatever...) a significant number of hours per week will be dedicated to customers. For a small service company to make any money, the owner will spend between 60% and 80% of her time on client-related work.

Another 10-30% of her time will be invested in the process of obtaining those customers (marketing and sales). And the remaining 10% will be dedicated to administrative tasks. (No one seems to avoid doing some paperwork.)

continued

With 100% of the owner's time committed, no time is available to focus on the needs of employees, researching trends, planning for the future, introducing new products and services, etc. The motivated woman business owner will work long hours in an attempt to address these issues, but inevitably, she becomes tired, a customer crisis develops, or ambitious employees become impatient with the lack of opportunity. The company hovers around 5-7 employees until/unless the owner faces the need to transform herself from the "Chief Service Provider" to "President."

The second classic plateau occurs at about 25 employees. Like the 5-7 employee plateau, the "25 person plateau" is a symptom of a business owner's inability (or unwillingness) to change. By the time a company has 25 employees, the owner has had to face the need to establish management positions. Whether the organization is structured along lines of business (marketing plans vs. advertising vs. special events) or along corporate functions (marketing vs. administration vs. production), someone must share the lead with the company's President.

Often, department heads are promoted from within the company. Loyal longtime employees are given a chance to learn how to be managers. Some Presidents decide to bring in new talent from outside the business who have had managerial experience. There are pros and cons to each approach, but the companies share the newness of delegated authority, the need for more formal lines of communication, and an increased awareness of the interdependence of each part of the business on the other. This is a difficult passage for most people...and not just the owner.

Inevitably, some employees will long for the good old days when the company was small, everyone pitched in to help one another, and no one protected his/her turf. Some employees will become impatient waiting for others to face the need to change, let go, and become more professional. The President of a company going through this phase of development will often feel inadequate. Approaches that used to work now agitate employees. A simple remark will be taken out of context to further divide employees into opposing camps (sides). If the President/owner doesn't find a way to break the dysfunctional patterns, it becomes very tempting to give up and just go back to running things "the old way."

Other plateaus occur at round figure gross volumes like \$1 Mil/yr, \$5 Mil/yr, \$10 Mil/yr, \$20 Mil/yr, etc. These plateaus are often misinterpreted as a matter of market saturation. In reality, key people within the

business are having trouble replacing long time benchmarks (like \$1 Mil, \$5 Mil, etc.) that have been in their heads. \$1Mil/yr can be the most stubborn plateau for business owners who never thought they could own/operate a million dollar business.

Other plateaus occur when the major elements of a business are out of balance. Most business owners excel in one or two areas, such as marketing and sales or production and finance. The typical scenario is that at least one major aspect of the company's functioning lags behind the others. Growth creates stress and the limiting factor slows continued growth. We all know of companies that have lost customers while they had to focus on the installation of a new computer system or wait for their newer employees to learn enough to be given some authority to make decisions. All too often production and/or financial management lag behind the capacity to bring in new customers. The plateau occurs when the limited factor must be faced.

What Are the Typical Responses to a Plateau?

As with any serious business problem, the most frequent response to the development of a plateau is denial. "We've grown to this point doing things a certain way. Why should we change at this point?"

For example, the owner of a business who has not faced the causes of "25 person" plateau quickly finds herself running a business with about 18 people because a sub group of employees will leave the business across a relatively short period of time. If the President/Owner still does not see (or accept) that a plateau is involved, she tries to rebuild the business to 25 employees through incremental hiring...only to bounce right back to 18 people and now know why.

Another response is avoidance. So many business owners enjoy dealing with customers or providing service and really aren't that good at dealing with employees ... nor do they really want to deal with employees. The prevalence of micro-sized businesses is testament to this dynamic. As the owner avoids addressing the dynamics of the plateau, the decisions are made for her as employees resign.

A third classic response is for the owner of the business to say that she wants to make a change, but resist learning new skills to actually address the intractable plateau. These business owners seem insincere, naive, scared, or cheap.

continued

When their companies are small, many business owners can get away with fairly autocratic leadership styles that are not well received by professional managers within larger companies. The President/Owner of a business that has hit a plateau at \$20Mil may genuinely want the business to grow to \$50 Mil, but she may lack the experience or skill to help the management team envision what a \$50 Mil/yr company needs and how to translate that vision into action.

What is a More Productive Response to Plateaus?

One of the most important qualities of a leader in a growing enterprise is a continuing interest in learning, growing, improving, advancing... Knowing that plateaus often occur at 5-7 and again at 25-28 employees cues the proactive business owner to read, talk to owners of larger businesses about their experiences, and learn new skills. If the owner is always preparing for the next stage, it becomes easier for her to let go of tasks, address limiting factors before they slow growth, and accept help. Her value to the business is measured in terms of vision, leadership, balance, preventing problems and teaching rather than in sales or customer service.

Where Can You Start?

Using “dynamic goals” instead of rigid goals is an excellent place to start. Instead of shooting for \$ 1 mil/yr, try going after several new large accounts, introduce new services, expand your market, increase the amount of repeat business, etc. and then add up those achievements to get a goal.

If your business is currently at 15-20 employees, start planning and designing your business with 40

people in mind to improve your chances of growing right past the classic “25 person plateau.” Your choice of a controller or a sales manager will inevitably be different if you have a larger business in mind when you hire people.

* * * * *

*“Known as **The Growth Strategist™**, Aldonna R. Ambler, CMC, CSP helps professional service firms, technology-driven businesses, and construction-related product/service for distribution companies reach their goal of **Achieving Accelerated Growth With Sustained Profitability®** through a combination of speaking, consulting, executive coaching, authorship, and growth financing. She has executed an ESOP, grown multiple international businesses, won just about every major award an entrepreneur can win, provided expert testimony on economic growth at over 30 legislative hearings, conferred with 4 different Presidents in the Oval Office, and published two books and over 100 articles. Aldonna was named the **national (USA) “Woman Business Owner of the Year” for 2000**. She currently hosts a weekly Internet radio show, **The Growth Strategist™** on VoiceAmerica Business (www.business.voiceamerica.com) every Tuesday at 11 a.m. ET. Aldonna Ambler can be reached at Aldonna@AMBLER.com, 1-888-ALDONNA (253-6662) or at www.TheGrowthStrategist.com.”*