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A Tiger By The Tail: From \$10M To \$100M--The Steps To Meteoric Business Success

Consider for a moment that 90% of entrepreneurial training is focused on how to start and grow a successful company from an idea to a fully fledged award winner.

However, powering a successfully growing company into the stratosphere has an entirely different set of challenges. [Business](#) leaders who face explosive growth would be wise to call on experienced and talented mentors for guidance. What, then, are the right strategic steps to reach a meteoric company's full potential and enjoy the fruits of their labors?

I recently met with a fast growing company that was seeking funds and advice on a topic of great interest to company leaders. Their invigorating question was this:

"Alan, how do we build a company that can generate \$100 million in annual year end revenues?"

As I pondered their request, I thought to myself, whether a firm is small or large, the same key drivers of hyper growth will apply. This unusual startup, no more than five years old, had achieved double digit year over year growth. It was adding new large clients on a monthly basis. A talented team of experienced and dedicated employees were executing with distinction. Word was spreading in the industry that the founder's solution was best in class. Angel investors were happily providing financial fuel to power the flourishing enterprise. Clearly, the company was well positioned to be a top notch organization.

"Why do you need my advice?" I asked. "It doesn't look like you need my



Do you know how you'll scale your business from \$1M to \$10M? Or from \$10M to \$100M?

counsel.”

“Well, sir, we have never had a tiger by the tail before. We’ve never managed something with this much upside potential. And we don’t want to fail.”

“All right, my friends, here’s what I suggest we do together,” I said. I stepped to a white board. “Let’s work backwards from your goal of \$100 million dollars in sales and learn what you will need to accomplish to achieve it.”

The first set of questions will be discovery in nature and will form the foundation of your forward thinking strategy:

1. What is your annual revenue goal in five years from now? Their answer: “In five years we want to generate \$100 million in annual sales.” I wrote this on the board. What are your revenues now? “We ended the year at \$10 million in sales.”
2. What’s the average selling price of the product you sell? “We charge an annual fee of \$250,000 for our software tool.”
3. How many months does it take to sell a product from the first contact with a customer until you collect payment? “Six months. On average we close 50% of our opportunities.”
4. How many salespeople do you have? “We currently have four.”
5. How many system engineers are working today in the field to install and support your customers? “We have three SE’s on our team. There is one for every three salespeople.”
6. How many customers do you need to increase sales by \$90 million? We each reached for our calculators and unanimously agreed the company will need 360 new customers, each paying \$250,000 a year by the fifth year, to reach their ambitious revenue number. They happily noted they have 40 clients today.
7. How many potential targeted clients are there in the world? “We believe there are more than 20,000. To reach our goal, we need to capture 2% of these companies. We also believe we can sign contracts with very large customers who will also provide referrals. Likewise, there are several national distributors who want to carry our products who work with resellers in the small and medium business space.”
8. How many new customers can a salesman close in a year? “We believe an average salesperson can close four deals a year.”
9. How many salespeople do we need to land 360 new clients in five years? Once again we opened our calculators to do the math. We all concluded the company would need a total of 100 salespeople, each achieving 4 sales per year. We paused to determine a compensation plan and expense budget for the sales team to determine when people would be hired and where they would work.
10. In a like manner, how many SE’s will you need? “Thirty-three will be required over time,” they said. “They will be paid well and will need a travel budget.”
11. “Fellows,” I said, “If we add up the expenses of our field teams we will see that’s in the millions of dollars. To finance this important asset, I believe you will need growth equity capital from investors. Do you agree?” “Yes, certainly, we won’t be able to fund these expense with retained earnings.”
12. Will there be sufficient gross margins to cover all expenses and leave earnings equal to 15% of revenues? “Yes, we think so. We will keep our expenses less than revenues by engaging channel partners and other outsourced providers to slow down and lower our costs.”
13. Can expenses be controlled and not exceed the budget? “Yes, we will carefully monitor expenditures on a regular basis.”
14. Lastly, you are very talented executives but has anyone on the team grown a business this large and this fast? They looked at each other and said “No.” “With this in mind, I recommend that in time you invite someone with that experience to lead the team. Moreover, I believe you will need a CFO of equal ability and skilled managers to run the various organizations inside the company.”

“Gentlemen, I believe this exercise has been very useful and strategic. We have listed what needs to be accomplished for exponential growth. With the road map clearly before us, let’s turn our thinking to three fundamental areas of focus that will propel us forward. These are: 1) Selecting the right priorities, 2) Deploying the most important resources, and 3) Implementing the most efficient processes. Let’s now discuss each category. What do you think your specific priorities should be? We pondered and debated several and arrived at this list:

1. All employees should be focused on selling and retaining satisfied clients who will make referrals. Going forward, we want to be known for having a sales culture.
2. We will begin hiring great sales people and system engineers.
3. Employees will be generously rewarded for their performance.
4. Marketing will identify and cultivate every potential client who might be an early adopter of our products.
5. Marketing will provide a thoughtful brand to differentiate our unique offering.
6. The sales team will have a list of prospects, a quota, the best resources available and a compensation plan to reward excellent performance.
7. The system engineer and customer support teams will be in place and properly trained. They will actively support clients to ensure a high level of satisfaction.
8. The managers and the new CFO will manage expenses carefully. The budget will be based on our key priorities, resources and processes.
9. We will raise money to cover the expenses of growth.
10. Every manager should feel ownership for his or her assigned area. They should feel empowered and responsible for their performance.
11. We will hire an experienced CEO.
12. We will also hire an experienced technology officer to guide software development. We need to make sure our products continue to be relevant and best in class.
13. We see the need to establish a professional board of directors.
14. We agree as a team to report on our progress on a regular basis and to be held accountable for our efforts. We pledge to be persistent in our efforts and to avoid complacency.

We next talked about important and urgent resources. They agreed on the following:

- A. Hire the best people for each job. Make sure they clearly understand what’s expected of them.
- B. Ensure there are sufficient funds to achieve the plan.
- C. Ensure there are supportive systems, tools and equipment.

We ended the conversation talking about processes. They arrived at this statement: Each prioritized task should be carefully delineated, documented and taught to appropriate employees. Each process should be implemented, followed and monitored and be examined and improved on a regular basis.

After several hours of discussion, we concluded our meeting with the management team agreeing they had a reasonable plan to reach their lofty yet plausible goal of \$100 million in annual sales within five years.

What about your company? Do you have the potential to take your company from \$1 million to \$10 million? From \$10 million to \$100 million? Hopefully this exercise will be of use as you consider your goals.

I welcome your thoughts. You can reach me via this column, at @AskAlanEHall, or via my personal website at www.AlanEHall.com.

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