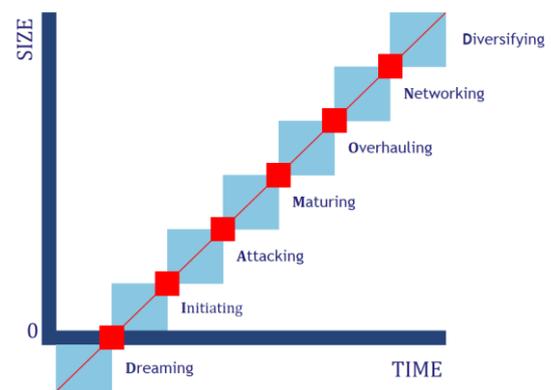


BDO Diamond Model of Business Growth[®]

The Seven Stages of Business Growth



Each stage in the growth of your business is clearly recognisable and relatively easy to “diagnose”. Having read through the following paragraphs, you should have a fairly good idea as to which stage your business is at. Once you have an idea of where you’re at, take a look overleaf at some of the challenges you’re likely to encounter as you grow, and start thinking about how you will address these.

Your BDO Invercargill adviser can help you at every step of the process, so don’t be afraid to ask for help, guidance and advice!

- D** **Dreaming** up the idea of a new business, **developing** plans and **defining** start-up requirements.
- I** **Initiation** the business plan and inspiring others in order to establish a presence in the market. This is the **Implementation** of the dream
- A** **Attacking** the first problems of growth and coping with **adolescence**. During this particular stage the business unquestionably has the systems to survive and it can provide a good living for its owners. However, it is not robust enough to sustain a major change in its market or operating environment and its long-term prospects are limited by its cash flow and customer base. As a business passes through this stage, the pressures of growth **accelerate**. Wise and well advised owners begin to anticipate the next stage. For others, the **accumulating** pressures can lead to anxiety rather than action and result in stagnation and even failure.
- M** **Maturing** the business with an emphasis on establishing controls, systems and **methodologies**. **Management** is professionalised in order to deal with the size and complexity of the customer base or the organisation structure of the business.
- O** **Overhauling** the organisation with a clear focus on **objectives**. The business is more competitive and has a strong customer and marketing **orientation**, but there is a sense of ‘missed opportunities’ and a consequent drive to optimise performance. Teams and individuals are often held accountable for results and are offered appropriate incentives.
- N** **Networking** the units of the business. Strategic processes have become as important as tactical ones. Maintaining and developing a corporate image is important and, by now, earnings are often being managed for a diverse stakeholder group.
- D** **Diversifying** into new products and markets. **Driving** growth through strategic alliances and commercial inter-**dependencies** which enable rapid responses to market opportunities in a fast-changing world. The culture of organisations in this stage is highly focused. The means by which they operate – and the markets in which they choose to do so – are highly flexible. In this stage, the rate of growth, year on year, will often decelerate as a function of the size of the business.

Dominant Business Perspectives: stage by stage

Dominant business perspective	Dreaming	Initiating	Attacking	Maturing	Overhauling	Networking	Diversifying
Management focus	<ul style="list-style-type: none"> Business planning Seed funding Market research 	<ul style="list-style-type: none"> Cash flow Winning new business Establishing a presence 	<ul style="list-style-type: none"> Cash flow Supply/demand Establishing stability 	<ul style="list-style-type: none"> Planning and control Assimilating new people Establishing systems 	<ul style="list-style-type: none"> Improving performance Business analysis Establishing corporate objectives 	<ul style="list-style-type: none"> Improving corporate image Developing new structures Establishing strategy 	<ul style="list-style-type: none"> Improving brand value Increasing flexibility Establishing alliances
Investor focus	<ul style="list-style-type: none"> Business plan 	<ul style="list-style-type: none"> Delivery of plan 	<ul style="list-style-type: none"> Sufficient returns 	<ul style="list-style-type: none"> Developing finance strategy 	<ul style="list-style-type: none"> Improving return 	<ul style="list-style-type: none"> Retaining stability 	<ul style="list-style-type: none"> Brand equity
Employee focus		<ul style="list-style-type: none"> Excitement vs. job security 	<ul style="list-style-type: none"> Challenged resource vs. frustrations 	<ul style="list-style-type: none"> Professional focus vs. concern about freedom 	<ul style="list-style-type: none"> Reward for achievement vs. fear of change 	<ul style="list-style-type: none"> Ownership vs. career credits 	<ul style="list-style-type: none"> Acquired prestige vs. lost identity
Finance source	<ul style="list-style-type: none"> Own equity Corporate clearing 	<ul style="list-style-type: none"> Own equity Corporate clearing Efficient cash collection 	<ul style="list-style-type: none"> Short term debt Working capital facility 	<ul style="list-style-type: none"> Structured finance Specialist schemes 	<ul style="list-style-type: none"> Structured finance Venture capital/private equity 	<ul style="list-style-type: none"> Finance markets Venture capital/private equity 	<ul style="list-style-type: none"> Finance markets Venture capital/private equity
Marketing and sales focus	<ul style="list-style-type: none"> Developing contacts Establishing concept 	<ul style="list-style-type: none"> Stimulating demand Simple promotion Developing distribution channels 	<ul style="list-style-type: none"> Improving customer value Improving customer quality- Increasing customer base 	<ul style="list-style-type: none"> Customer/ market research 	<ul style="list-style-type: none"> Cost per sale Customer satisfaction 	<ul style="list-style-type: none"> Strategic planning Corporate positioning 	<ul style="list-style-type: none"> Relationship management Channel management
IT focus	<ul style="list-style-type: none"> Planning basic business requirements / technical architecture 	<ul style="list-style-type: none"> Basic office system/packaged solutions to meet business requirements 	<ul style="list-style-type: none"> Reliable systems Improve internal and external communications 	<ul style="list-style-type: none"> Customised IT solution 	<ul style="list-style-type: none"> Re-engineer systems to optimise business needs 	<ul style="list-style-type: none"> Optimise IT connectivity 	<ul style="list-style-type: none"> Flexible, knowledge-based, customer-centric
Supply side focus	<ul style="list-style-type: none"> Establishing contacts 	<ul style="list-style-type: none"> Ad hoc, non negotiated 	<ul style="list-style-type: none"> Applying customer criteria to purchasing decisions 	<ul style="list-style-type: none"> Multiple supplier management Terms negotiation 	<ul style="list-style-type: none"> Rationalising supply Power bargaining 	<ul style="list-style-type: none"> Some joint ventures 	<ul style="list-style-type: none"> Strategic alliances Vertical chain strategies
Constitutional elements	<ul style="list-style-type: none"> Family & friends Influenced by contacts 	<ul style="list-style-type: none"> Limited equity ownership Influenced by lenders 	<ul style="list-style-type: none"> Broadening ownership and influence 	<ul style="list-style-type: none"> Establishing corporate formal structures and governance 	<ul style="list-style-type: none"> Employee involvement 	<ul style="list-style-type: none"> Diverse stakeholder interest 	<ul style="list-style-type: none"> Complex constitution & governance
Community orientation	<ul style="list-style-type: none"> Personal 	<ul style="list-style-type: none"> Local employment 	<ul style="list-style-type: none"> Random charitable Local business associations 	<ul style="list-style-type: none"> Political (local) 	<ul style="list-style-type: none"> Coordinated charitable 	<ul style="list-style-type: none"> Political (local and central) Community programmes 	<ul style="list-style-type: none"> Political (local and central)

Transitional Issues

- Overcoming gaps in knowledge
- Establishing business focus
- Improving business plan
- Securing finance
- Company formation
- Establishing premises
- Establishing customers
- Practical issues: basic systems for income/ expenditure; meeting customer/client promises; dealing with admin
- Lack of focus
- Getting enough cash to pay bills
- Dealing with the unforeseen
- Taxation issues
- Identifying need for and recruiting staff
- Ignoring IT
- Quality of product/service
- Low customer awareness
- Competitor reaction
- Need to assess situation – plan with benefit of real business knowledge
- Not robust enough to survive changes
- No contingency planning
- Identify skill deficiencies
- Constrained by initial IT selection
- Admin overload
- Inadequate communication
- Overdependency on founding team
- Management surpassing leadership
- Losing entrepreneurial spirit
- In a rut : directionless
- Losing touch with market
- Executives not incentivised or motivated correctly
- Lack of organisational flexibility
- Innovation dampened
- Inappropriate performance indicators
- People skills
- Business could run away with its own success
- Overpromise – underdeliver
- Burn out (people and concept)
- Lack of corporate governance legislation
- People skills
- Nobody “owns” the business
- Business too rigid to be responsive
- Highly bureaucratic
- Missed opportunities in marketing
- High turnover of high quality staff
- Image becomes “staid”
- Internal territories
- Efficient financing
- Economic/ export issues
- Cumbersome hierarchy
- Gap between management and front-line

This publication has been carefully prepared, but it has been written in general terms and should be seen as containing broad statements only. This publication should not be used or relied upon to cover specific situations and you should not act, or refrain from acting, upon the information contained in this publication without obtaining specific professional advice. Please contact BDO Invercargill to discuss these matters in the context of your particular circumstances. BDO Invercargill, its partners, employees and agents do not accept or assume any responsibility or duty of care in respect of any use of or reliance on this publication, and will deny any liability for any loss arising from any action taken or not taken or decision made by anyone in reliance on this publication or any part of it. Any use of this publication or reliance on it for any purpose or in any context is therefore at your own risk, without any right of recourse against BDO Invercargill or any of its partners, employees or agents.

BDO New Zealand is a national association of independent member firms which operate as separate legal entities. BDO New Zealand is a member of BDO International Limited, a UK company limited by guarantee, and forms part of the international BDO network of independent member firms.

BDO is the brand name for the BDO network and for each of the BDO Member Firms. Copyright © January 2020 New Zealand. All rights reserved. Published in New Zealand.

www.bdo.nz