



The Business Owner's Guide to
Scaling Up Successfully

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So, you're looking to scale up your business to take it to the next level; increase your market share, break into new markets, or increase revenue and profits? It's a brave move, yet can also be a highly rewarding one, both personally and financially.

Scaling up a business brings a multitude of new and unfamiliar considerations. Additional financial obligations, increased delegation, an increasingly complex infrastructure, and demands on your supply chain can all push you outside your comfort zone.

What worked when you were managing ten people won't necessarily work when you grow to a hundred. You will need a new strategy, new processes, and a new organisational chart. Recognising what doesn't work any longer—and getting rid of it—is vital for any business trying to scale.

Yet, if your business is already running successfully, and you have the drive, planning and support to make it happen, then you can achieve fantastic things.

In this guide we look at what it means to scale up and whether it's the right thing both for you and your business, and then lay out the key foundations that need to be assessed and planned out in order to maximise the chances of success.

Why Scale Up?

When deciding whether scaling up is the right move for your business, the first thing to understand is why you want to expand your business venture.

Take some time to consider your goals. What do you want for your family; what lifestyle do you want to develop; what are your personal ambitions? How does running an expanded business fit into this?

Crystallise your thoughts around the expectations for your business growth. Is it for increased personal income; is it for capital growth, perhaps to sell the business at a later stage?

Before you decide that scalability is the answer, ask yourself: Is this really what I want?

If you're positive that you want your business to expand, how do you know if now is the right time?

1. Is Scaling Up Right for Your Business?

“Scale up only when you are ready — not just because opportunity knocks.”

- Sir Richard Branson



Signs that it's time to scale up

There are many signs that indicate that a business has reached a critical point in its development and growth, and is ready to take it to the next level. If your business and its market is displaying most of the characteristics below, you could be well placed to expand your business venture.

Financial

Your [business must have strong cash flow](#) and a healthy sales cycle, with returning customers and a solid pipeline. Simply being profitable isn't enough. If you always have cash left over after paying your outgoing costs, and retain a healthy revenue stream, then your business could be in a strong position for expansion.

Operational

Are your business operations optimised and running smoothly? Are your customer experiences and your business processes all optimised? Consider your current supply chain. If customers have to be turned down due to a shortage of staff, no stock in your warehouse, or simply because there are not enough hours in the day, then it may be time to scale up. Do you have quality employees with skills that allow you to be strategic rather than micro-manage your business? That's a good sign too.

Business Goals

If you have set [SMART goals for your business](#) and are beating all of them year after year, expanding your business could well be your next best move. These goals can be related to increased revenues, market share, customer satisfaction and customer retention, or reduced waste, cost of customer acquisition and employee churn.

“Once you've realized you've made your original goals too attainable by the standard you've set, scale.”

***- Rob Fulton
Proprietor of Exponential Black***

Defining Your Opportunities

Market Opportunities

In order for your market demand to support the scaling up of your business, you must have a reliable and established proof of concept. Do you have healthy customer traction? If they're paying for your product/service, are happy, and continuing returning, then you are in a healthy place for scaling. This is crucial to the long term growth of your business, as potential investors will want to be looking for these signs

Is there room in the market and do people want more of your product or service? What gaps will need to be addressed for you to successfully exploit this opportunity?

The demands of the market should be dictating your next move. The quantum, size, and relative power of your current and potential customer base, should start to influence your approach to those customers and how you set yourselves up externally and internally.

“Serving large new customers with their equally large demands - even at higher margins - is not always the most attractive route to growth”

- Harvard Business Review

On the other hand, is the opportunity cost too high not to try scaling up? Would you lose first mover advantage? Or are competitors trying to shift into your space or offerings? Identify your competitors, understand who they are, where they are and what their uniqueness is relative to the product/service you are offering. This will help to focus your scaling strategy.

Which geographies would best suit your business scaling operations? Are you looking to grow regionally, nationally, or internationally? Understanding this will start to determine how you build your infrastructure, including sales, marketing, logistics and leadership, to support that approach.



What is your Differentiation?

In order to be able to scale your business successfully, in either existing markets to gain market share, or to branch out into new markets, you must first define your differentiation. In other words, why should people buy from you? Do you have a unique product or service that no one else has? Or do you differentiate yourself by the quality of the relationship and service you provide? This can be difficult to quantify, so engaging with your customers, both satisfied and less satisfied, to understand your relative success in these areas is important.

Is your differentiation based upon price? If it is a price-driven market that you are operating in, how do you build your business so that you can be an effective low-cost operator, while selling on a larger scale?

If possible, it's better to compete on quality, ingenuity and customer service than to position yourself as your industry's low-cost provider. If you can sell your customers on the value you provide, you can keep prices reasonable without having to stress about eventual competition.

What are your Strengths?

Understanding where your strengths as a business lie will help you to exploit the opportunities you have identified. Fully comprehending and mastering your USPs and focusing on them while scaling up, will help to ensure that you can build upon your niche market.

Ask yourself a reflective question - how well do you know the strengths within your business and where do you have capability gaps? Be sure to objectively assess your relative strengths and weaknesses and understand where the capability gaps that need to be filled are.

Understand the Challenges

Your lifestyle and personal life

Scaling up is not for everybody. Expanding your business is going to have an impact on your personal life, your work/life balance and your lifestyle and you need to be prepared for these challenges.

In terms of your personal goals and ambitions, do you as the owner want to commit a large amount of your time and whilst potentially losing some equity to investors in order to scale up, or would you instead prefer to savour some of the fruits of your current success?

“I never took a day off in my twenties. Not one.”

***- Bill Gates
Co-founder Microsoft***

Can you scale your brand successfully?

There are many challenges to [maintaining a strong brand when you scale up your business](#). Will your brand resonate in different regions? If your brand relies on its 'personal, human and approachable' identity, it can be a challenge to maintain this as you grow your business. You can easily dilute your hard-won brand identity and alienate your customers.

Never forget what attracted your customers to your proposition when chasing new market segments.



Have you got the right product/service?

Just because your product or service has met with success at a small business level, it doesn't necessarily mean it is ready for increased distribution. For example, with web-based products, scaling can bring a multitude of [server capability and capacity issues](#). Make sure your product or service is really ready for wider distribution.

Launching a new product/service in order to scale up should also be approached with proper research and [testing](#). The introduction of a new product line represents a huge investment for all involved with the company. Effort must be built around knowing and understanding the market. Crucially, by taking a calculated strategic approach to launching a new product, you will ensure that your core business is protected and strengthened.

Can you continue to innovate?

Retaining the original spark of agility and innovation that saw your business succeed in the first place, is a crucial element of remaining competitive. As a business grows, it can become less agile, and less innovative. It's a challenge to be sure that your business, product or proposition is scalable without losing the very essence that has seen it succeed thus far.

Staying innovative means keeping in close contact with the customers that have fed and nourished your product development and market approach. It also means maintaining competitiveness in the face of disruption and delivering what the market needs.

Can you delegate more?

In order to achieve successful business expansion, you will have to delegate larger parts of your business processes and strategies to others.

Are you happy to relinquish some aspects of control and creativity in your business? Letting go of the reins and allowing more structured processes, experienced managers and documented procedures take the place of individualistic creativity can take some getting used to.

Running a bigger business also comes with a lot of different pressure points and can take a person well outside their comfort zone. In addition to delegating some of the activities you may have enjoyed before, you will likely have to take on new responsibilities that are new and/or stressful. This can include an increase in stakeholder relations: with investors, board members, the press, trade unions, large customers with equally large expectations and much more.

2. Planning to Succeed

“Your goal as an entrepreneur should be to use strategic planning to achieve and sustain superior performance over time.”

– Dr. Sebora, Emeritus Professor of Management

Why Make a Plan?

When you start scaling your business, you must have an idea of where you are, where you want to be and how you'll navigate between the two. Planning must be both operational and strategic. Having a well-structured thinking process and embarking on a thorough programme of planning before scaling your business, maximises the chances of success.

Planning helps to build:

Focus within the organisation

Everybody fully understands what their job is and what they need to do to achieve the strategy

More controlled growth

Scaling is more controlled and there's more ability to monitor that growth as you go along

Agility and resilience

You have the ability to act quickly if things need to change

Stakeholder confidence

In the ability of the management team to deliver the strategy, which in turn means higher likelihood of investment, employee dedication and overall success.



The Risks of Opportunistic Growth

When growth is approached in a more opportunistic, unplanned way, the converse is likely to occur:

Uncontrolled and unstructured activity

The growth is likely to become more opportunistic, leaving your scaling up process more open to chance and exposed to the winds of change.

Instability

Your business is therefore less likely to be able to accommodate peaks and troughs in workflow.

Quality issues and mistakes

As your business struggles to accommodate the peaks of demand that scaling up of your sales, marketing and distribution processes will bring upon your infrastructure and strategic direction.

Pressure on cash resources

Without a thorough financial forecast and long term cash flow plan, peaks in demand or expenses that come as a result of your growth will place your business under potentially life-threatening cash flow pressure.

Unplanned, chance-led circumstances can substantially increase the chances of failure.





A Phased Approach to Planning Growth

A phased approach to scaling, especially for smaller businesses, is crucial from a risk perspective. With resources being relatively limited, optimizing your investments is critical.

Also, should you need to pull out and roll back the scaling of your operations at any stage, your investment dilution will be less significant, when compared to an all-out, big bang approach. (However, a phased rollout such as this may not be suitable for certain industries which need larger capital investment.)

Does all this make scaling up seem too daunting a task? Remember, while it's important to plan ahead, if your business has been doing well at a certain operational scale and your expansion plan is well-defined and backed up by solid market research, you stand a good chance of succeeding.

3. Building the Foundations

“Growth is never by mere chance; it is the result of forces working together.”

- James Cash Penney, Founder of JCPenney

How can business expansion be done in a way that significantly increases your chances of success? Building a solid foundation with which to plan how to exploit your opportunity, requires work across many areas of the business.

Business Development



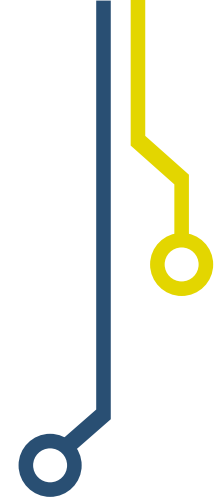
Channel Development

Whether you are selling to businesses or consumers, deciding which channels you will develop comes down to understanding your existing customers fully. [Your channel development strategy](#) needs careful planning and execution in order to grow sales and revenue. Your chosen markets need to have a strong need for your product or service, the budget to afford it and have potential for growth. You may decide to scale your business using routes to market that you currently operate in. Or you may plan to develop more channels: selling direct to consumers, selling wholesale or taking on quality partners. Whatever you decide, base the decision on market research.

Product/Service Development

Maintaining product/service development and innovation is crucial to the long term success of a business. Keeping in regular communication with customers and their needs is essential to maintaining an innovative proposition that remains in demand. When deciding whether to outsource any element of your product or service, it's important to take into consideration the processes, logistics, and ethical practices of your suppliers. Maintaining quality management and control when increasing your volumes requires a careful balancing of cost efficiency and attention to detail.






Sales Teams

If you employ a sales team, they will undoubtedly be the lifeblood of your business, feeding your pipeline and delivering new customers. Scaling your sales team should be approached with the same rigour that you apply to streamlining operational processes. Always hire excellent people, create a robust sales process, implement a scalable and effective CRM and keep measuring the success of each individual and the team as a whole, especially in terms of cost per acquisition.

Marketing

Your marketing strategy for scaling up must be closely aligned to the above three areas of business development. Marketing a new product, marketing in a new territory or to a different market segment (such as to children or to high net worth individuals) are all challenging changes that may require adjustments to areas such as: budget, team structure, team numbers, choice of agencies for areas such as PR, online marketing and event management. Always be aware that no matter what territory or industry you are operating in, your customers will expect to interact with you in ways that suit them, whether that is online, face-to-face, via phone or email.



Create a clear value proposition. Make sure that you know your target audience, what their needs are, and exactly what your key USPs are. Ask your customers how you're doing.

Business Model and Supply Chain

Assessing your business model for scalability is the first step. A truly scalable business is one that keeps low marginal costs while increasing revenue. Are your revenues recurring? Do you have customers locked in? Building a loyal customer base that is passionate about your product or service is essential.

Is your business model both scalable and sustainable? Sustaining the growth needed to successfully scale your business requires a thorough assessment of how your business operates both inside it's walls and within it's market.

[Check your entire supply chain's capabilities.](#) A critical error is to assume that your current supply chain can simply do more. Your supply chain should be robust enough to withstand changing local, social and environmental demands while remaining agile enough to react to market shifts.



Leadership and Company Culture

“No matter how brilliant your mind or strategy, if you’re playing a solo game, you’ll always lose out to a team”

– Reid Hoffman, co-founder LinkedIn.

As your business grows, it will become necessary to delegate strategic ownership to a larger team of carefully-chosen directors and senior managers. [The Confederation of British Industry](#) (CBI) offers three key tips when developing your leadership team for scaling up:

- 1. Rapid change often accompanies fast growth so ensure the leadership team have a clear cohesive goal the company are working towards.***
- 2. Make sure you honestly assess and are aware of the respective strengths and weaknesses of the leadership team.***
- 3. Build a board which provides strategic direction, ideally includes people with experience in scaling-up companies and has the most appropriate chair.***

Your leadership style will need to adapt too. Set the best example in your day-to-day activities so that each department follows that example in theirs. Codify your company culture and reward employees for demonstrating those values. Learn how to nurture leaders within your growing business. Above all, [setup processes](#) which mean that you are not running all departments, in particular, day to day operations, accounting and HR.

Operations and Infrastructure

Assets

What [asset](#) purchases will be necessary, and what physical resources will be required to deliver on your plans for growth? This includes new or updated premises, machinery, and software to support your expansion. These requirements will play a large part in deciding your financial course of action.

Processes

Your entire business processes should, ideally, already be streamlined before you embark on business expansion. Expanding your business will undoubtedly mean more processes within various parts of your company, such as IT, shipping, stock control or increased staff. However, these new processes must be streamlined, ideally using [‘Lean Thinking’](#).

IT

If you rely on IT for your business, this is one of the most important and potentially expensive issues you’ll have to face. [The best tech for a growing business](#) can maintain it through all its phases of growth, but be prepared to replace inadequate or redundant technology as you grow.

Customer Service

As you grow your customer base, your customer support, operations and infrastructure will need to evolve. You’ll have to balance maintaining the personal touch that helped your initial success, with an ability to service a large amount of customer orders, queries and potential complaints. Thorough training, documented and standardised processes and procedures, empowered customer support staff, fully tracked metrics and an increase in automation for repetitive tasks should all come into play. An online self-service support knowledge base can also help ease the pressure on your growing support team.

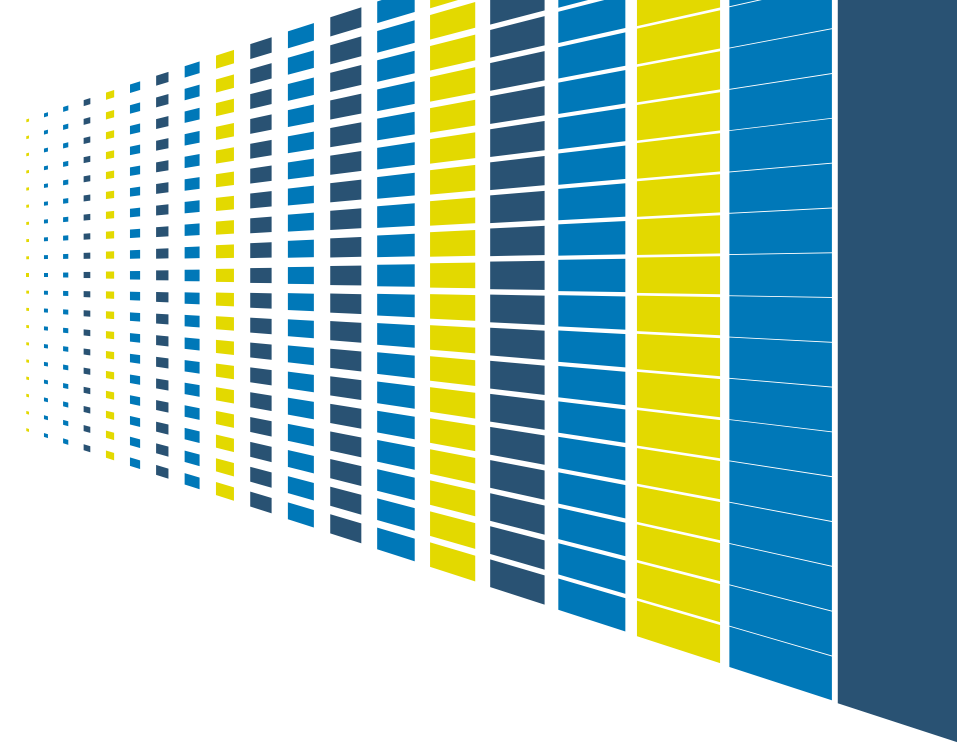
People

Your employees will either make or break your plans to expand your business. Be thorough in your understanding of what staff training will be required. It may seem counter intuitive, but trimming the fat from existing teams might be necessary if doing so means that your company can grow effectively.

When hiring to expand, be sure that attitude, culture fit, competence and preferably experience of scaling a business are paramount. Finding new people with the right talent and skills to fill new positions can be challenging, and is a key obstacle facing small businesses that want to expand.

“Attracting and developing talent is integral to stimulating and navigating fast growth”

- CBI



How can you attract the right talent to support your ambitions? You have to sell the vision of the company. Highlight the great culture and the opportunity to be an integral part of a rapidly developing project. These are key incentives for many forward-thinking, talented people, and often succeed in enticing these valued assets to fast-growth companies rather than the bigger firms who could potentially pay higher wages.

Also consider outsourcing. Outsourced functions give access to infrastructures while reducing the need for you to build them (for example HR, Marketing, and IT hosting). It also provides access to expertise whilst keeping fixed costs down in the short term.

Financial Resources



Cash flow

How fast can your company afford to grow? Starting a business requires cash, and growing a business requires even more - for working capital, facilities and equipment, operating expenses and more. A profitable company that tries to grow too fast can run out of cash - even if it's products are great successes.

Building and supporting a regular, sustainable and [healthy working capital cycle](#) to support and underpin growth is also fundamental to the success of a scaling business.

"It's really important that the investor is aligned with the business' direction of travel"

*-Bivek Sharma,
KPMG Small Business Accounting.*



Financing growth

To build a sound financial basis for business growth, you must be able to [forecast](#) and understand what investment is required. It is rare to expand a business without some kind of finance.

If you require [additional funding](#), what sort of appropriate financial lines do you need to put in place? Are you going to take on debt or are you going to sell equity in your business?

Business borrowing can come in many forms, from traditional bank overdrafts and loans, to more flexible, growth-centered working capital credit solutions such as invoice finance or revolving credit facilities for supplier payments.

If you're looking for larger, longer term financial assistance to grow your business to the next phase of it's development, then selling equity to an investor might be an option. [Finding the right investor](#) for your business is critical, and many businesses have suffered due to a misalignment of priorities and outlook between them and their main investor.

4. Advisors and Mentors

A key thing to remember, is that you don't need to do it alone. There's plenty of help available to you when looking to expand your business. Consider what internal and external expertise and resources you will require to achieve your goals, and seek out the support you need.

Accountants and Lawyers

Hiring a reputable firm of accountants during the planning stage of your business expansion and during roll out can be invaluable. Likewise, enlisting the services of a law firm who can advise on many aspects of your business strategy from a legal standpoint should be something to seriously consider, especially if you are expanding into new territories or trading internationally.

Business Advisers and Industry Specialists

Business advisors and industry specialists can help to plan your business expansion, put appropriate support systems in place, and advise on the right course of action at key stages in your company's journey. Use your network to find the right companies to help you grow.

Networks

Scale-up leaders highlight the importance of networks and peer learning when it comes to gaining experience. Joining ambitious networks can help you gain valuable knowledge and contacts that provide insight into chosen markets, coaching style support and ongoing development. Government initiatives such as the CBI and local chambers of trade also provide advice and information on growing your business.

Mentors

You should also lean on your existing networks. Do you have a mentor or two already? Reach out and ask for advice at this crucial stage in the life of your business and possibly your own life too.

Investors

Strategic advice from an investor that has helped other business owners execute successful scaling strategies can be invaluable. According to [Thomas Hellmann](#), professor of entrepreneurship, Saïd Business School, Oxford University: *"Funding isn't just money, it is money combined with capabilities, expertise and patience."*

Employees

Your best advisers will likely be those that work with you in your company now. Most likely there is a core of four or five people on whom you have trusted and relied upon for many years. Utilise their advice, skills and experience to the benefit of your business objectives and then reward their loyalty.

5. You Can Succeed

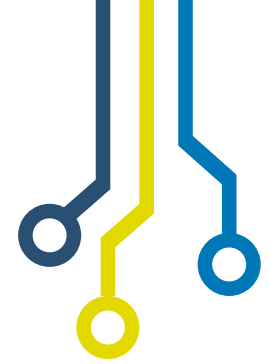
To ascertain the best course of action and to improve your chances of scaling up successfully you need to thoroughly explore the following points:

- ***Why you or your Group of Directors want to scale up; what you are trying to achieve***
- ***Where the market opportunity is that justifies the investment in scaling up***
- ***How your product or service can meet a need and beat the competition***
- ***What you need to do within every function of the business to support the growth***
- ***What people you need and how you will get them ready for a new phase***
- ***How you will become the leader of a larger business***
- ***What financing will need to be in place***
- ***What external resources you need to draw on to help achieve your goals***
- ***What review mechanisms you are going to adopt***

Finally, an important part of business expansion is incorporating regular review mechanisms. Things generally don't go according to plan when scaling a business, and to respond to the unexpected at an appropriate time is often crucial to the continued success of your business.

You should never lose the habit of regularly turning a critical eye on your business. Keep re-evaluating your growth plans, going back to make adjustments all the time. And measure everything. Use consistent and measurable KPIs, set concrete quantifiable goals, and seek efficiency in all your processes and practices.

Above all, enjoy this exciting business challenge and share your successes with your customers and staff.



About Us

Pay4 is a flexible business finance solution, providing UK SMEs with working capital to settle supplier invoices. Founded in 2013, Pay4 believes that every stable and growing business should have access to business finance without constraints or delay. Success is knowing we have supported our customers through tough times and through times of growth too.

Pay4 provides a revolving, unsecured credit facility. Credit limits, which start at £50,000, can be used, repaid and reused as often as your cash flow cycle requires. Generally Pay4 does not require security in the form of personal guarantees or business assets. This makes it straightforward to get our customers up and running quickly.

Because Pay4 is an unsecured credit facility, we work solely with UK companies with a track record of growth and stability. We are not an appropriate business finance solution for all businesses, but we may well be a perfect fit for you if your company meets the following criteria:

Limited Company or PLC incorporated in the UK
Trading for 3+ years
Profitable with a capital base of £200k
Turnover of £1.5m+ per annum
Any industry sector with UK and/or international suppliers

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