

LIFE CYCLE OF AGENCIES*

Stage 1: Creating the Business: \$0-\$1M

“Zero to one” is about your business earning its right to exist in the world. Your two priorities are sales and service, and little else matters early on. As the business matures through this stage, it will need to solve for “crossing the chasm” - finding a way to provide a complete offering without the money or profit to afford a team of employees to do it.

Financial management should be focused on avoiding expensive pitfalls, identifying your service model and break-even revenue, and keeping things as lean as possible.

Stage 2: Building the Business: \$1M-\$3M

Entering this stage is the first major inflection point for an agency. Growth through brute force is no longer enough as the owner runs out of energy to wear every hat. Success requires building a small leadership team and a change in thinking from “Let’s build an agency” to “Let’s build a profitable agency.”

Financial management should be focused on moving through the hierarchy of financial needs and mastering capacity management and repeatable revenue generation.

Stage 3: Growing the Business: \$3M-\$10M

This is the second big inflection point in agency growth. Things feel easy once you’ve cleared the hierarchy of financial needs...until they don’t. At this stage, your core leadership team is too far removed from key delivery decisions and the business feels tension and strain. Things break. Employees leave. Clients churn. Success requires empowering, incentivizing, and holding accountable the next level of deputies in the organization.

Financial management should be focused on department or portfolio level reporting to enable these deputies to own their levers of firm profit.

Stage 4: Scaling the Business: \$10M+

This is the third inflection point for an agency. This is the point when the agency has decided it doesn't just want to be a successful business, it wants to be a big business, too. Making this transition requires a fresh approach to thinking about systems and leadership. Your priorities and metrics are highly dependent on your goals for this stage.