What You Should Do after Your Business Reaches $1MM in Revenue

8 min read

If your business has achieved $1MM in revenue, congratulations on beating the odds (estimated by the [SBA](SBA)), which say that 30% of small businesses fail within the first year, 50% within five years and 66% during the first ten. Reaching this milestone often proves you have a sustainable business model, and that achievement alone deserves celebration.

Key Takeaways

- **Stay Ahead of Your Cash Flow:** Cash flow shortages are the number one reason businesses fail. Yes, your business is generating sales and has a steady stream of revenue coming in, but growth phases foster cash flow troubles…
- **Remember the Larger You Get, the Bigger the Impact of Small Changes:** Having to pay an additional twenty dollars on a hundred jobs increases costs by only $2,000, but an extra twenty dollars on a thousand jobs packs a hefty $ 20,000 punch…
- **$1MM in Revenue Means It's Time to Scale Your Back Office:** A smart back office with experienced financial professionals and the right technology, however, can actually generate a sizable return on investment...

Upon reaching this arbitrary monetary milestone, however, beware of complacency, the feeling that you can now take it easy, sit back and let your business run itself.

Like every major transition in your business, achieving substantial growth will require you to adjust the way you manage, the way your business operates and look for new opportunities to reach the next milestone.

When your business begins generating substantial revenue, consider the following pieces of advice for what to do next to ensure your newly minted million-dollar business experiences minimal growing pains and continues operating successfully to carry you into the next phases of growth.

Ten Ways to Keep Your Million-Dollar Company Growing

1. Stay Ahead of Your Cash Flow

Cash flow shortages are the number one reason businesses fail. Yes, your business is generating sales and has a steady stream of revenue coming in, but growth phases – especially rapid ones – foster cash flow troubles.

During the growth phase, your business next month will be larger than it is this month. This means your expenses next month will also likely be larger than they are this month. But, in a tight cash flow, you will be likely be bankrolling those expenses on your receivables from the previous month. With growing expenses flowing out of the company before growing revenue flows into the company, cash flow problems can occur. This is the reason so many businesses fail. Use cash flow forecasting and management accounting to make proactive – not reactive – financial decisions to avoid empty coffers.

Read More: [3 Financial Reports Every CEO Should Know How To Read and Interpret]()

2. Learn to Delegate

As your business grows, you will become more and more preoccupied with management, leaving you less time for wearing other hats. As the owner or CEO, your most important role in your business is leadership.

In the early days, you probably handled almost everything (if not absolutely everything) yourself. Hire and train capable individuals to take over the responsibilities you once managed alone. Hire like-minded people you find trustworthy and train them to think like you.

Start thinking about doing only the things that only you can do, and delegate or outsourced everything else. Your business should be able to operate even when you are not there to open the doors.

3. Understand the True Cost and Value of Employees

Employees cost your company way more than their wages. You also have to factor in their downtime on the job, vacation and sick leave, insurance, taxes, healthcare costs, training costs, turnover expenses and even pizza parties and break room essentials.

With a strong bookkeeping and accounting department, you can measure labor cost allocations to determine exactly how much your employees cost and how much revenue each employee generates. Your growing business will likely require expanded personnel, but before you bring in a group of new employees, you need to be certain the business can afford them.

Read More: [4 Ways to Fight Employee Burnout With Automation]()

4. Focus on Profitability, Not Just Profits

One million dollars in revenue is a big number the first time you hit it, but how much of that million dollars did your business get to keep? This is the difference between profits and profitability, also referred to as profit margins.

Keep track of your company's gross and net profit margins to ensure you stay profitable. Even though your business can bring in seven figures, it could be operating with frighteningly narrow margins or even be taking a loss. Said another way, the bottom line is way more important than the top line. Keep your focus on Net Income. That's usually why you started the business in the first place – to make more money.

[Sign Up Today! Learn how to grow your profits even in the toughest economic conditions.]

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5. Remember the Larger You Get, the Bigger the Impact of Small Changes

When a business generates larger revenues, it also usually racks up greater expenses. As your business grows, so do your payables. Seemingly minor cost fluctuations, like a minimum wage increase or a rise in supply costs, can have a major impact on your total expenses and your profit margins.

Having to pay an additional twenty dollars on a hundred jobs increases costs by only $2,000, but an extra twenty dollars on a thousand jobs packs a hefty $ 20,000 punch.

6. Evaluate Your Pricing Structure

Your product or service has been proven desirable by the revenue it has brought in. Now is the time to re-evaluate your pricing structure.

Are you charging enough to cover the increasing costs of your growing business? Could you change your pricing structure in a way that would generate even more revenue by encouraging additional repeat business or higher-level subscribers?

Don't be afraid to get creative and test out different pricing options to see how various groups of customers respond. The time you spend working on your pricing model will do more to increase your bottom line profits than anything else you do in your business.

Read More: Don't Be a Pricing Coward! Get This Under Control...

7. Focus on Customer Retention and Acquisition

For your business to continue growing, it needs to retain its existing customers, while continuing to acquire new clients. This means you should have established both a customer response management program or protocol and a marketing strategy to spark lead generation and conversions.

Your business's Customer Acquisition Cost (CAC) represents the total price you pay to convert a lead into a sale, including the cost of research, lead generation and sales personnel.

Do you know what your company spends per customer acquisition or how much revenue you gain from each customer acquired?

You can answer these important questions by determining your company's Customer Acquisition Cost (CAC) and Customer Lifetime Value (CLTV) and then putting the knowledge into action.

8. Allocate Costs and Analyze Your Unit Economics

Analysis of your company's unit economics, made possible by job costing, generates actionable information. You can use this to make data-driven decisions regarding where and how to spend your company's sales and marketing dollars in order to generate the greatest return. Also, when to hire a new employee or how to reward the people who contribute the most to profits.

A great way to parse profitability into units to make decisions about where to invest limited marketing dollars is to look at profitability by lead generation or lead source. Using QuickBooks, a business can create custom fields on every customer or project to record the lead source. This allows you to analyze profitability by sales representative, sales strategy, marketing strategy and industry.

Allocating all of your direct expenses to a customer, project or job enables you to use unit economics, meaning you can evaluate your profit and loss by different units. Make sure you charge every expense to a customer, including your internal costs should get charged to an internal project. That will help you better manage your overhead expenses.

9. Invest Profits Back into the Business

A business with a healthy revenue stream and a healthy profit margin will also have good free cash flow. This is money left over after all of your expenses (direct and indirect) have been paid.

Free cash flow can be paid out to investors, held in the company for an emergency fund, or invested into further expansion. Improving marketing and customer response management are both great ways to invest free cash back into the company, but this money can also be used to prepare your business for the next level by upgrading technology, researching new products or services, expanding inventory or hiring additional employees.

Make sure you know how to measure the ROI on each investment so you put those hard earned dollars to the best use.

10. $1MM in Revenue Means It's Time to Scale Your Back Office

A business doing one million in revenue will require and benefit greatly from a full-service bookkeeping and accounting department, including bookkeepers, accountants, controllers and perhaps a fractional CFO. Many business owners view the back office as an additional overhead expense.

A smart back office with experienced financial professionals and the right technology, however, can actually generate a sizable return on investment. A complete back office not only transaction processing and compliance, but also accelerates strategic planning, cost reduction and profit growth by providing actionable financial data.

Although employees staffing this type of financial department doesn't come cheap, small or medium-sized businesses can afford full-service back offices. These businesses can benefit from the knowledge and expertise of well-seasoned financial professionals by outsourcing with a trusted client accounting service provider, like GrowthForce.

At a fraction of the cost of an in-house bookkeeping and accounting department, small and medium-sized businesses can have an entire team of professionals, helping them hone their company's finances, manage cash flow and inform business strategies that can drive increased profits.