DAVERAMSEY

#1 NEW YORK TIMES BESTSELLING AUTHOR



MASTERING THE 5 STAGES OF BUSINESS

BUILD A BUSINESS YOU LOVE

A man's heart plans his way, but the LORD directs his steps. —Proverbs 16:9 NKJV

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Mastering the 5 Stages of Business

DAVE RAMSEY



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INTRODUCTION

I Scotland. All you golf nuts will know the courses I'm talking about, and you'll understand what a once-in-a lifetime opportunity that is. The thing is, on both days, on both courses, we were dealing with fog so bad, we couldn't even see forty yards ahead of us. Certainly not ideal for an opportunity like that, but we'd paid a good bit of money to get on those courses, and we were not going to miss the chance!

We had great service and awesome caddies at both courses. At the first course, at each hole, our caddie would point at the fog bank in front of us in the general direction of the fairway and tell us, "Hit in that direction, then we'll walk down there and hopefully find your ball." Imagine teeing up and trying to hit a two-hundred-yard drive into nothingness. It's really, really difficult to swing a golf club as hard as you can when you have no freaking idea where the ball needs to go. Needless to say, it took a long time to play that course, and I wondered more than once how many cases of golf balls it's possible to lose in one round.

The next course we played was Kingsbarns, and we had the exact same conditions—thick fog and an excellent caddie to guide us. But there was one incredibly simple, incredibly effective difference: At Kingsbarns, the staff placed stakes with flashing red battery-operated lights every fifty yards or so to mark the direction of the fairway. That one detail changed everything. We were still hitting into the nothingness of the fog, but the lights allowed us to see far enough ahead to know we were hitting in the right direction. That

little bit of hope gave us the confidence and energy to play better, faster and have more fun. All because of those little red lights marking the way.

In the nearly forty years I've been in business, I've felt like I was staring straight into a fog bank more times than I can count. All I could see was the crisis in front of me. My perspective went no further than the end of my nose. I was just trying to do the next right thing. And the next right thing after that. And I never thought about doing it a different way. But if someone had told me there was a system for growing my business—an actual path with little blinking red markers to guide me—that may not have eliminated all the false starts and mistakes I made, but it would have limited them. And I would have been able to see past the current crisis of the day and have hope and confidence that my business was on the right path.

That's my goal for business owners reading this book. Even though you're often working in foggy conditions, the principles you'll learn in this book will mark the path clearly enough to give you the hope and confidence you need to give it your all and keep your business moving forward. And on occasion, the sun will break through, and a breeze will blow the fog away, and you will know exactly what to do and when. You'll avoid the false starts and the mistakes. And as a result, you'll build *your* business faster, stronger, and better than I built my own.

Are you ready? Game on!

THE SIX DRIVERS OF BUSINESS

journalist once asked me, "Did you ever dream your business would get A this big?"

"Of course I did!" I shot back. Then I confessed, "I just never imagined how much work it would take to get here."

You already know this, but running your own business is hard—really hard. As nice as it would be to have an easy button for running a business, there just isn't one. To make matters worse, most people around you don't understand all you go through to get your business up and running—or to keep it on the rails. You've got to manage the cost of goods, production issues, and hiring and training team members, along with managing a customer base. You have to master your insecurities, overcome a mountain of mistakes, and conquer the chaos of all that comes with running a company.

There are a lot of theories in the marketplace about how to run a business. But you don't need theories—you need to hear from someone who's actually made this work. Someone who got a lot of bruises and scars along the way. Those scars remind me of the struggles—and I'm sure you have plenty of scars too.

If you're here wanting a tenured college professor to give you some proper scientific theory about leadership—someone who's never had to make payroll, by the way—you're in the wrong place. I've done all the stuff in this book. I've made all the mistakes. All of them! My team and I survived our mistakes, and every year we got a little bit better. This book will guide you through the steps you'll need to take to actually help your business grow.

That's what you want—and it's the same thing that most small-business owners want—to see your business grow.

What you're going to find in this book is evidence of what works. Proven practices. You're going to find wisdom from the trenches. And you're going to hear from other business leaders like you who are trying to figure this out. Just understand this on the front end: We don't sell microwaves—we're in the crockpot business. This doesn't happen overnight.

Success in business comes from decades of scratching, clawing, grinding, getting up before dawn, getting a little better—then repeat: get up, get a little better, get up, get a little better. Why? Because we all suck when we start. I did—and you do too. That's not mean, it's just reality. So you've got to get a little better every day. And if you keep showing up, you *will* get better and you *will* win at business!

When I think back to the question that reporter asked, the truth is, if I'd known how hard running a business was going to be, I might not have done it. Really. It was brutal in those early days. It was a lot of hard work and long hours. You've been there—you might be there right now. Back then, I realized I was the biggest problem when it came to growing this business. Yes, me—the man in the mirror. I recognized that I didn't know a lot of stuff and I would need a new level of knowledge, a new level of experience, a new level of sophistication, and a new level of wisdom if I was going to get where I needed to go. I've learned how to get better, how to move things forward, and how to leverage my team for greater results.

One of the most effective ways I found to grow personally—to get a little better every day—was through reading. I've read a lot of books from some of the smartest people on the planet. And a lot of those people have become good friends now, including Dr. Henry Cloud, John Maxwell, Pat Lencioni, and Jim Collins. When I started reading their books, I just wanted to have one-tenth of one percent of their intellect to help me move this business a little further along. If you've read my first book on business and leadership, *EntreLeadership*, you know their wisdom has been incredibly impactful in

how I run my business—and you'll certainly recognize some of their pieces of advice as you read through this book.

THE SOLUTION

I'm going to spend most of the pages in this book walking you through the Five Stages of Business: Treadmill Operator, Pathfinder, Trailblazer, Peak Performer, and Legacy Builder. The stages are mile markers, seasons, and levels of maturity. Call them what you want, but you're going to go through them in your business—and each one has its own special challenges.

But before I start talking about what defines those stages, there are six fundamental truths related to business growth and success that you need to understand. We discovered these principles through three decades of firsthand experience and insight gathered from tens of thousands of business owners. They're called the Six Drivers of Business—because that's what they do, they drive your business forward and are essential for its success:

Personal: You're both the problem and the solution.

Purpose: Business is about more than just the bottom line.

People: A unified team is key to winning.

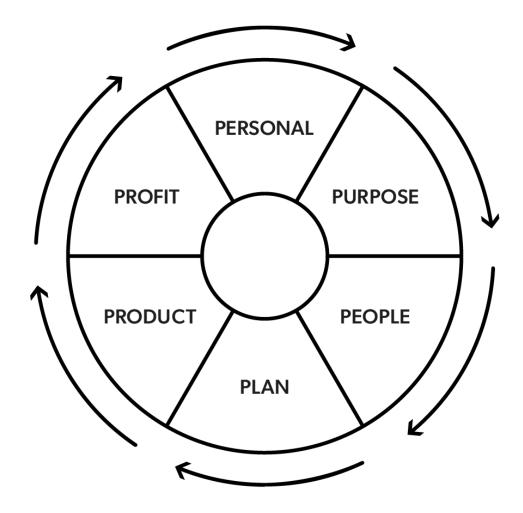
Plan: Success is intentional; it doesn't happen by accident. **Product:** Serve enough people and the revenue will follow.

Profit: Profits fuel your purpose.

As you've probably already figured out, you never truly arrive in business; you just continually refine and master these skills. That's why the six drivers are designed to build on one another in a continuous cycle you'll keep working for as long as you're in business.

These drivers are the foundation of what you do, how you lead, and how you propel your business through the five stages we'll cover in the rest of this book. Like a waterwheel, each driver leads to the next. As you fill up the bucket in one driver, what you learn starts to pour into the next. That forward momentum takes you and your business to where you need—and want—to go. But if you try to skip a driver, the whole thing will come to a screeching halt. If you try to skip two of them, it will freeze up. Just as a waterwheel doesn't work like that, neither does your business when it comes to these drivers—you've got to get it turning, and as you keep putting the water in, it keeps spinning.

Don't get confused though. The drivers aren't a checklist. One rotation through the drivers does not mean you automatically move to the next stage of business. Often, each stage of business will require multiple rotations through the drivers. In fact, we've learned there isn't a strict correlation between which stage of business you're in and how many times you'll go around the wheel of drivers.



Business is a marathon. Not a sprint. Winning in business doesn't happen quickly, and it doesn't happen easily. It's a process, and it's frustrating a lot of the time.

I don't know about you, but when I'm learning something new, I get a little bit mad—mad because there's one more thing to learn and mad because I don't want to do this. It feels weird. It's uncomfortable. It's not the way I've always done business. But the way I did things in the past only got us to this point. If I'm going to continue to grow this business, I've got to do something different than what I've always done. The same is true for you. As I pointed out earlier, you must master the Six Drivers of Business to create the growth you need, both in your leadership and your business, to move through the Five Stages of Business. When you master the drivers, you gain the skills, competencies, and knowledge you need to level up to the next stage.

To make this system work, you're always making minimum payments on all the drivers all the time. That just means, no matter which stage of business you find yourself in, you'll always be working to improve in each of these drivers. You can't neglect any of them. You may focus a bit more on one or two in a season, but each stage will require you to do some work in each driver. And one last thing before we dig into the drivers: Remember that every business and every business owner is different. That means you'll work through the drivers and progress through the stages differently from other business owners.

All right. Let's see what the Six Drivers of Business are all about.

DRIVER 1: PERSONAL

You're Both the Problem and the Solution

The first driver of business is Personal—it all starts with the person in the mirror. That would be *you*. Organizations are never limited by their opportunity; they're limited by their leader. The reality, if you're willing to face it, is that you're the problem—and you're also the solution. That's why this first driver is related to personal development. My good friend and bestselling author John Maxwell talks about the Law of the Lid, which says how well you lead will determine how well you succeed. In other words, your ability to lead—or lack of ability to lead—is the lid to your business's growth.

The good news is that becoming a better leader is a choice. Leadership is a skill you can improve. No matter where you are as a leader today, you can make the decision to become a *better* leader. And you'll need to make that decision over and over. We have a saying at Ramsey: "If you're not growing, you're dying." What that means for you as a business owner is, if you're not growing to be the leader who can meet the challenges of each stage of business, there's no way for your business to move from one stage to another.

For well over a decade, I've asked groups of business leaders what words describe an excellent leader. I get a similar list each time I do this. It always includes words like *humble*, *servant*, *communicator*, *decisive*, *godly*, *integrity*, *visionary*, *passionate*, *loyal*, *influential*, and *driven*. Read over that list again. We're not in disagreement about the qualities that make a great leader. We just have trouble electing one. We just have trouble being one. We just have trouble hiring one, leading one, and growing people into that kind of leader.

To the extent that these words don't describe you, you're lacking as a leader. And here's the really interesting thing: Every one of those qualities of leadership is a decision. They're a choice you can make. They're personal character qualities you can work on. You don't have integrity? You can decide to become a person of fanatical integrity. You're not humble? You can choose to be humble. You're not decisive? Decision-making is a choice too.

In the first stage of business—Treadmill Operator—the Personal driver will require you to improve basic business skills, hard skills like time management, budgeting, hiring, and delegation. In the next stage, the Pathfinder, you'll broaden your view and work on the skills you need to lead a team, like how to cast vision, identify your core values, and create consistent communication. I'll unpack all that in the Pathfinder stage—and don't worry, it will all make sense as we walk through it together.

This driver—Personal—may be the hardest to master because it's all about you. It requires the most personal change so you can be the best possible leader. Maybe you have a lot of this handled already. Good! Maybe you read this and think, *Crap*, *I've got to change a lot about how I show up as a leader*. Either way, where you're headed is more important than where you've been. Time to get moving!

DRIVER 2: PURPOSE

Business Is About More than Just the Bottom Line

Your team needs to know why their work matters. It's important to hire people who are wired to show up every day and give their best, of course, but if your business is only about money, even those folks won't last long. Work that matters drives people to push through tough times. The Purpose driver is all about the purpose of your business or organization.

Don't skip this one. It's easy for hard-charging, business-minded people like us to just drive by this, thinking, *Oh, that's one of those cute little sayings on your brochure*. But your business's purpose goes a lot deeper than that and is a major focus of the Trailblazer stage. So expect to unpack some best practices around identifying and communicating your business's purpose when we get to that chapter.

Everybody—and every business—needs to know their why. That phrase, "your why," got a lot of attention when Simon Sinek published his book *Start with Why: How Great Leaders Inspire Everyone to Take Action*. Simon says the mission of your business begins with *why* or, more specifically, *why you are in business*. If your *why* isn't right, you'll quit when the money comes. Money is never enough—even if you can buy whatever you want. Trust me, I've eaten enough lobster to know it tastes like soap when you eat too much of it just because you can afford to.

Money's not the be-all and end-all, and it won't work as the primary goal for your business. Your team needs to know why their work matters. Why do you do what you do? At Ramsey Solutions, we say we exist for the people outside our walls. Our mission is to provide hope for everyone in every walk of life. That's a whole lot different than saying we work just to write books, create events, and put on a radio show. While we do all those things—and a lot more—*why* we do them is what drives us.

This is no different if you own, say, a car repair business. Why are you in the car repair business? Have you ever seen a single mom stranded on the side of the road with two little kids in the back of the car? At that moment,

why you do your work matters to her. It's not just fixing a car—it's coming to the rescue of a family at a time of need. Or maybe you're a plumber. Just think about all the ways people's lives are disrupted when their hot water is out. Your services will keep a young family's kitchen running and their clothes and kids clean. Or maybe you do heat and air. In the winter, if someone's heat is out, that's an emergency. That's why your work matters.

I've met very few successful business owners whose only *why* was to make a boatload of money. If your business is just about money, you'll have problems with your team, and your customers will hate doing business with you. They can smell money-hungry people. Your *why* needs to reflect a higher calling and purpose. You're here to serve, and you're here to change people's lives—including the lives of your team members. That's when what you do actually matters. To help your team understand what's important to you and what drives your *why*, you need to clearly communicate your mission, your vision, and your values to them. These things need to be tattooed onto your soul and seared into the mind of your team.

One of our core values at Ramsey Solutions is Colossians 3:23 where the Apostle Paul wrote, "Whatever you do, work at it with all your heart, as working for the Lord" (NIV). That puts a different perspective on your work. I'm working with excellence because I'm working for the Lord, first and foremost.

Now, I'm not against making money. In fact, I want you to make a lot of money and win in business. But I also want your life to change, and I want your business to make a difference in people's lives along the way. A clearly defined purpose is necessary for both because it sets you up to spin around to the next driver on the wheel.

DRIVER 3: PEOPLE

A Unified Team Is Key to Winning

Business is easy until people get involved, right? That's the third driver of business: People. As someone who's been doing this for more than thirty years, I'll tell you that people are your biggest blessing—but they're also your biggest burden. To start with, in most businesses, payroll is the largest expense on the profit and loss statement (P&L). That makes people your biggest cost.

In business, every P&L item should generate a return on investment (ROI) —that includes payroll. That's right, you should expect a return on your investment from the people on your team. It took a while for me to realize how important this is. When I look at my P&L from an investment standpoint, it looks like I'm completely out of balance. With tens of millions of dollars in payroll every year, I'm way heavy on this one line item. So I need to see an ROI on that. That means, in order for Ramsey Solutions to be profitable, everybody on the team has to make more than they cost as a whole or we don't stay open. That's just basic economics.

Now, for a little while, I had "employees," and I never want another employee. And to this day, I don't. Employees come in late, leave early, and steal while they're there. Ramsey Solutions has over one thousand team members—and zero employees. But that didn't happen naturally or overnight. We spend a lot of focused time on our hiring process. It costs a lot of money to get a new team member hired, relocated, equipped, and trained. We learned the hard way that if we don't take our time to hire the right person, we'll end up spending way more money and time trying to replace that bad hire.

Once you have the right people on the team, you have to put in the work to keep that team unified. Zig Ziglar, an author and one of the great motivational speakers of his time, used the example of Belgian draft horses to explain the power of a unified team. Belgian draft horses are huge muscular animals, much like the Clydesdale horses you see on beer

commercials. If you hook a Belgian draft horse to a sled, the typical horse, by itself, can pull eight thousand pounds. It's very impressive—that's the equivalent of two mid-size cars! If you put two unrelated Belgian draft horses together, they can pull twenty-four thousand pounds. That's a 3x increase instead of the 2x you expected.

Again, very impressive, but here's what's even more mind-blowing: If you combine a matched pair of Belgian draft horses, meaning they're siblings or cousins from the same farm that have been trained to work together, they can pull thirty-two thousand pounds—that's four times what a single horse can do! Now *that* is amazing!

So, what do horses have to do with building a unified team? When you put the very best people on your team—at Ramsey, we refer to them as thoroughbreds—and train them to be unified in pulling together to get the work done, amazing results happen. That's how a small team can have a huge impact for your business. It's not about the size of the team, it's about whether they've been trained together and work together. It's about the synergy and trust they develop with each other over time.

Of the Six Drivers of Business, People is the one where you'll likely spend the most time, experience the most heartache, but also get the most return. At Ramsey Solutions, we spend a ton of money on our team, putting on some incredible parties and team events each year. But we see plenty of ROI from those expenses through the team culture we've created, which, in turn, leads to super productive team members.

We spend a *lot* of time in other books, in our coaching, and in our events teaching how to build a team culture that is fun and productive, so we won't use up more space on that topic here. People and culture-building are a big focus in the Trailblazer stage, but you'll build on your People driver differently at each business stage. As you do, you'll eventually move to the next driver, which is Plan.