

## The Role of Next Year's Success

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How many times have I heard business owners who have been in business for some time, ask, "Why would I want to grow more? It just means more headaches and challenges, more to manage, more risk, and very possibly less profit. Thank you very much, but I'll stay where I am." If you've ever felt this way, read on.

What happens to your business if it doesn't grow? It is my belief that businesses, by definition, are either growing, or declining. At the very least, our businesses have to keep up with inflation and cost of living increases. Competitors are always ready to nip at our heels. Employees want more. Customers are on the lookout for better deals, and for things that will enhance their lives. Nothing stands still, including your business.

If you want to get comfortable with growth, try answering the following question. Assuming you decide to grow, what is your company's ability to deliver what it must **one year from now**? There are a number of puzzles embedded in this question.

Let's start with our own mindset. As business owners, we often assume that what we produce and deliver to our customers is nearly as good as it can be – after all, most of us are expert at what we do, and know our product or service inside and out. In fact, at some point in time, most businesses run into a wall

and get stuck, trying to deliver higher volume. It's the getting stuck that causes the headaches, challenges, management problems, risks and loss of profit.

Let's see if we can unravel the puzzles by picking a growth target for the upcoming year. Put down on paper what you expect in revenue for the upcoming 16 months, from September, 2005 through December, 2006, including a growth factor. Figure out how much more of your products or services you'd have to sell and deliver, in order to hit that revenue target. Then figure out how you'd do it.

Look for holes. This year, when did your company have trouble meeting commitments to deliver on time, in budget? What happened? What would you have to fix, in order to eliminate any of those problems.

What part of the organization would be the most stressed, if you had to hit next year's output targets? What can you do to fix or eliminate the stresses? Can you smooth out peaks and valleys through better planning? What would be the advantage of selling into the months with traditionally low output?

How would you lower error and waste rates? Ask everyone in the company to come up with one suggestion. Don't overlook the low-hanging fruit. Start with suggestions that can be

implemented right away, with relative ease, and real payoff, just by making simple changes in how things are done.

Look at your margins. If they are dropping, ask your accountant to help you figure out where you are losing ground. Compare your costs to competitors, by using industry trade organizations' benchmark data. Cost changes are symptoms, and with a little digging you can learn a lot about where your company is losing or gaining ground.

Look at items where costs have gone up recently – like gas. At \$1/gallon for gas, it didn't matter so much how well you planned out sales calls, or delivery routes. At \$3/gallon, your company has just tripled its cost, and efficient driving patterns make a lot more sense. There is a lot of stuff made out of petroleum. I found one list on the internet that included electricity, heating oil, plastics, fertilizers, detergents, paints, packing materials, furniture and carpets, ink, antiseptics, trash bags, tool racks, milk jugs, heart valves, toothpaste, LP records, wading pools, sun glasses, golf bags . . . the list goes on and on. You're going to have to do something about the increased costs – and getting more efficient is often a better answer than raising prices.

If you are to make improvements, where should you concentrate – more / better people, attitudes,

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process, materials, training, customers or suppliers? Materials and training are often the cheapest solutions. As for supplier changes – talk to your current suppliers and tell them what you expect going forward. Look for alternatives, in case you need them. Ask suppliers how they can help your company get better at what it does.

Process changes can make a big difference, as can attitude changes. Alter the way your people do things, shake up who does what, eliminate or combine steps, add check points. Expect “can do” attitudes. Trust your people to solve problems. Demand they follow through to completion. Figure out who is overloaded, and who has time on their hands. Re-arrange tasks. Decide if you need to bring in additional help.

Pay attention to grumbling throughout the organization – it is often a warning that things need improvement. One of the biggest complaints by employees is that no one listens when they have suggestions to make. Even if the idea is only half formed – it may be the start of a significant profit opportunity. But every idea needs a sponsor – and who better to sponsor progress than you, the boss.

Seems like a lot to think about? If you're getting overwhelmed, think about this question: What role does next year's success play, in

achieving your long term goals? Where will you be in 3 years, if you allow the company to stand still? How much cost escalation can you afford, without revenue growth, before your business implodes? That should be enough to get you moving!

Looking for a good book? Try *The Perfect Engine, How to Win in the New Demand Economy by Building to Order with Fewer Resources*, by Anand Sharma and Patricia Moody.

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