

The Optimum Growth Model

01/30/06

Last week we talked about a business owner who was questioning the swings in his numbers. The promise was that this week we would look at the elements of an optimum growth model.

Our business owner started asking questions. He wondered if ups and downs were normal. He wanted to know if the business had to work that way. Our answer: it certainly is normal: probably 95% - 98% of all businesses go through up and down swings. Last week we looked at some of the reasons why most businesses go through cycles, and what happens as a result, to the business and the owners. This week we'll look at how to build and implement a different model, running the business on a steady, profitable growth track. Let's call it the optimum growth model.

Start with a balance between tactical and strategic. As owners, we have to be involved in the day-to-day of the business. That's a given. We also need to work steadily on where the business is going long term.

The first thing you have to do is set up time to regularly work on the business. Most business owners don't do enough strategy, forecasting and review. Make time each week to meet with your staff, advisors, and anyone else who can contribute to the long

term. Set aside to think, review, focus, and work your plan.

Figure out what it will take to grow and run a business 2-3 times the size. Many owners lack of a firm idea of what the business looks like in the future. That's a big barrier to progress. Eliminate the barrier by laying down a clear picture of what it is you are trying to build.

Have a plan for moderate, steady growth. Try to eliminate the fire drills, which cost you money, time and focus. Most business owners miss the boat by going for 30% or better growth in one year, then spending 2-3 years digesting the growth and fixing problems that cropped up because they were not really ready for that growth. That's exactly what happened to our business owner from last week. At 15% year over year growth, you will double the business in 5 years.

Define your future. Who will need to work there? What suppliers will you need? What kinds of margins can you expect? What about competitive threats, and how will you overcome them? What kind of financing and reserves will you require, and what is safe for the business? How will you stay on top of the finances, cash flow and profitability, as you grow? What products or services will you supply, and how many more units will you have to be able to produce and deliver in the future? What customers will you have,

and how will they contribute to future growth? What kind of marketing and sales operation will you need to support slow, steady growth? Who will oversee each area of the business? What additional skills will your people need in order to step up to the plate and succeed as the business grows? Build it as you go, and growing into your future becomes much easier.

Learn to take calculated risks. Many business owners over-commit before they know if they have a good chance of getting what they want. They bounce between fear of taking action, and impulsive leaps forward. Replace this behavior. See yourself as testing more, then rolling out. Risk a little, find out if something works, then risk a little more, once you're more confident you have a solution worth implementing.

Give up control, and focus on growth. Many business owners fear taking new action because they want to get it right. They waste time, and lose opportunity, trying for the perfect solution, when 90% would be perfectly acceptable. They try to do too much themselves, fearing no one else could do things as well as they can. Learn to identify and act on "good enough", while working towards perfection.

Fix small problems before they get to be big ones. Don't tolerate under performance. Don't accept

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that you have to put up with things the way they are. If you are not satisfied, use that as a warning flag. Figure out what it would take to make you, as owner, satisfied in any given situation. Then make it happen. If you aren't sure how to fix things, get help.

Don't expect more from yourself than is realistic. No one can do it all, know it all, see everything, fix everything. Most business owners are highly accountable – and make the mistake of thinking they should know how to do everything. Or, they make the mistake of getting an education from the school of hard knocks. Why? If you're not an expert at something, if you haven't done something before, if you don't know about something, get someone to teach you. Find out what other people have tried. Bring in expertise to save yourself and your business from hardship, to learn faster, to make better quality progress.

Start now to build the pieces you will need in 3 – 5 years. If it's adding people, add one at a time, weeding and upgrading as you go. In terms of customers, figure out who are your most profitable, who value you the most, who are the most likely to stick with you, and which ones will help you most. Think about renewing, ongoing, profitable, respectful customers as core to your growth plan. If you need to increase services, improve products or

services your company supplies to the market, or expand ability to produce, figure out how to do that a little bit each quarter. Put money into reserves every week, to build up your war chest.

Project what it will cost to run a larger business in the future. Define the kind of money you will need for a business that is 2-3 times your current size. Match that to a plan to get customers and volume, to provide the revenue you will need in order to operate profitably as you grow.

Learn to manage cash flow. Figure out how to make capital purchases without tying up revenue you need to operate the business. Build tools to forecast, such as a budget and sales projections. Use those tools, when compared to actual results, to measure the success of your plan and identify needs for change.

Build a sales and marketing organization. Most business owners tend to focus way too much time and effort on operations. After all, that's what most of us love doing – the work of our business. Instead, learn to expand the capacity of the business, by having people, tools, process and skill to market and sell. Measure progress in sales weekly, and jump on shortfalls. Hold yourself as accountable for driving the business forward, size wise, as you do for delivering what you sell.

Constantly learn about new ways to market and sell, and commit to spending money to support growth. Spend money on research, so you know what is going on in your business world, and can avoid the tendency to react to squeaky wheels. Apply your research to your plan.

Learn to make a plan and hit it. Learn to set and hit targets for awareness, lead generation and sales, as well as operational and profit improvements. Measure employee progress, by doing regular performance reviews. Have a training plan for each. What you and your business learn this year will serve you next year, as you pursue a steady growth track.

Build a broad organization. Share power. Learn to delegate. Accept that people will make mistakes, but will also recover from those mistakes and learn to do better in the process. Build a diverse employee population. Encourage people who challenge your assumptions. Get them focused by giving them a clear vision of the future. Keep those people who demonstrate their ability and commitment to helping the business achieve its future.

Build a multi-leg stool. Many business owners get one or two products, enter one or two markets, succeed with a limited base of customers, get good at doing something, and then stop. Keep going. You've already done



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the hard part of getting the business started. Now expand what you've built. Enter another market, and then plan to enter another one after that. Add another product or service. Build complimentary offerings – some that do well in up markets, some that do better in downturns. With multiple products or services, in several markets, your business can withstand a downturn, and quickly shift strategy to keep growing, regardless of what is happening in the marketplace at large.

Wondering how you are going to get it all done? Think of it this way. Work hard, or work smart. You're already coming to work. It's now just a question of what you will work on.

Looking for a good book? Build a bookshelf, with books on every area of the business. Ask your local library to order books you're interested in. Try books on tape or CD, if you don't have enough time to read. Look for practical advice. There are millions of books out there that can help you. Keep reading this column, we'll keep adding to the list.

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