

Opportunity Galore

02/05/07

We are at a crossroads. My company is doing well, we have some money in the bank, and we are making money. I have several different opportunities that I can pursue, and the timing on some of these opportunities seems to be once in a lifetime. How do I figure out what to go after, how much to go after?

Having choices is a wonderful thing. Know, however, that more businesses get into trouble from too much opportunity, rather than from too little. The one thing you don't want to have happen is to get overextended, and find that you've jeopardized all of your plans because things don't come together as expected, you're short of resources and can't keep going.

So, it's good that you're thinking about choices, rather than just plunging forward, trying to pursue everything. Having a set of criteria can help you to make good choices about what to pursue. Here are some factors to consider when making decisions about what, and how much, to pursue: cost, contribution, risks, focus and timing. Let's take a look at each one.

Take the time to figure out what each opportunity is going to cost – low and high end of the range. Compare cost to what you have in the bank. Take a conservative look at what how long your cash will last. Pursue a plan where you can always have some reserves

left over, even if everything doesn't pan out as planned.

Next question to consider is what will the outcome look like, and what will that contribute to the business, over what period of time. One typical mistake business owners make is to be overly optimistic about when revenue will flow, and at what rate. Also, be sure to consider both revenue and gross profit. Some ideas look like big cash generators, but leave very little gross profit to work with. In such cases, you can end up working very hard, for very little return. Better to settle for less overall income, but a higher margin opportunity, if you can find it.

Now evaluate the risks to which you'll subject your company. How many unknowns are you facing? How likely is it that competitors will beat you to the market, or start a price war if your new venture starts to take off? What is the likelihood that the market won't be as excited about your new venture as you are, which could translate into lower sales, or less profitable sales, than you expected.

On the other hand, what happens if you don't pursue the opportunities in front of you? What's that chance that your company will stagnate and decline, if it does not pursue new ventures? You want to have new products to offer to old customers, plus ways to attract

new customers to buy what you already know you can make money at.

Next, comes the question of focus. What does pursuing this opportunity have to do with what you're good at? How does it compliment your existing business? Will it make your business stronger, or end up diluting resources and attention.

Finally, how long will it take to develop each opportunity into a money making machine? Draw out a timeline for each, from start of concept to steady, profitable revenue flow. Identify, by product, by month, what will happen to cash flow. Watch out for months where every concept draws on your reserve funds. Try to figure out if delaying one product, versus another concept, gives you a better cash picture, or helps you to better realize cash flow.

When trying to make decisions, I like to develop a 4 point scoring system, and break each major piece of criteria into 3-4 smaller questions. Then I rate each question from low (1) to high (4). When I add up the points from each separate question, and divide by the total possible points, I get an average number between 0 – 4.

If, when scoring a decision, I don't come out at 3+, I really challenge myself to go back and justify why I should continue,



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rather than drop the decision. Having a scoring system, and breaking the decision down into smaller elements, helps to keep me more methodical, less subject to whims. Generally, I find I come out with better decisions.

And if my gut is telling me I still should proceed, even if I have an average score below 3+, I focus on why the score doesn't match my gut. Typically I'll find that I've missed something, or gotten overly enthusiastic about an opportunity. Alternately, putting a decision through a decision making model usually nets me a better long term plan of action. Give it a try. I hope it works for you. If you need help or have questions, give me a call.

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If you are a business owner and you have a question or would like to discuss some aspect of your business, call [1.877.238.3535](tel:18772383535) or send an email to AskAndi@StrategyLeaders.com.

O: 914-238-3500. • F: 914-238-2529
AskAndi@StrategyLeaders.com • www.StrategyLeaders.com
Strategy Leaders, Inc. • 5 Crossways, Chappaqua, NY 10514

