

Growth vs. Perfection

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My employees tell me we need to grow, add more clients. I see you talk about the same thing. Here's my fear: we still have some problems handling the accounts we have. I want our clients' experience with us to be perfect, and sometimes it isn't. How can I possibly endorse growth, if we can't do a great job taking care of the clients we already have?

This is really a strategy question, and one that I hear quite often from business owners. It's good that you want your customers to have a great experience, and it's important that you're concerned about the quality of the experience your clients have with your company. On the other hand, you may be more worried about perfection than you need to be, and that worry may be holding your company back. Or, you may have clients who aren't the best fit for your company, in which case they may be holding you back. Either way, you have to get on with growth, or you'll get left behind.

There is a term in economics known as marginal output, also described as the law of diminishing returns. Diminishing returns usually show up after you've been at something for awhile. This economic concept says that as your effort increases, you get less in return. The more you use, the less you get.

Think of diminishing returns through this example. You are

writing a report. You finish up the report and go back through it for a full review. You find lots of edits to make, and a bunch of typos, which you correct. Then you go back through the report a second time, and make a few more corrections, fix a couple typos you missed on the first review. You go back through again, find another item you want to change, no more typos. Now you debate whether to go back through a fourth time, and decide it's not worth it.

Here's the translation of that little example. By reviewing your report the first time you found real corrections to make. By the third time through, it's good enough. Any more checking would mean you might find things to change, but they wouldn't really make the report better, just different. That's what happens in business as well. Pursuing the next increment of quality nets you less in real output improvements, and costs you time and effort you could have put towards solving other needs.

How do you figure out this law of diminishing returns in your business? Sample your customers, using a scale from 1-4 (don't use a 1-5 scale, it lets people off the hook and gets you a neutral, in the middle answer, #3, that tells you nothing). Ask a specific group of customers:

- how do they rate your company's product or service

- how likely are they are to continuing buying from your company
- how do they rate the match between value received and fee paid
- how likely would they be to pay \$___ more for an improvement in your product or service

Next, go through your client list and identify troublesome clients – the most challenging and least willing to pay, the least happy clients. Identify one thing that each of those clients must change, in order to continue to do business with your company. Decide if it's worth informing those clients of your list of demands. Add up the income those challenging clients represent, and build a plan to replace that income with newer, more appreciative clients, in case those clients can't or won't turn around.

Develop an overall growth plan. Focus on sales. Figure out how to add enough new clients each year, so that you can afford to weed out poor quality clients and still have a net gain. Find clients who want what your company provides, and who are willing to pay a reasonable fee to get it. Whatever you do, don't hide out inside the company, trying to perfect an already good enough product or service.

Expand your base through sales. Give your company more options



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by acquiring more customers. Provide more income to put towards solving problems by increasing revenue streams. Focus on the right customers by having enough customers so that you can afford to lose the ones that aren't right.

Recognize that you can't please all of your customers all of the time. The profits go to pleasing the majority most of the time, and knowing when to say, enough is enough, it's time to get cracking with sales.

Looking for a good book? Try Return on Customer, Creating Maximum Value From Your Scariest Resource, by Don Peppers and Martha Rogers.

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