

Growing Up can be Scary; Find Your Sweet Spot

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I recently had a conversation with a business owner from Connecticut, who was trying to figure out what to do next. He started out saying, "I'm finally at a size where I make money. The business is profitable, I can pay my people well, my bills are paid. I love my business at this size. And I'm worried."

The obvious next question was, "What's the problem?". His answer was subtle, but telling. ". I loved the business in the old days, but I hated that cash flow was stretched, I sweated making payroll, the bank owned me, and sometimes I wasn't sure whether I was going to be able to keep going long term."

He continued, "We're in a great spot now. And I know I have to keep growing, otherwise I'll end up going backwards. But growing beyond this point seems very scary. This size is manageable. In my head I know I have to keep growing, just to stay ahead of the game, but my heart just isn't in it. I'm afraid, and I can't live in fear. What do I do?"

Our business owner is right – the business does need to keep growing or it will get left behind. Businesses that are allowed to stagnate in size rarely survive long term. Eventually they get overtaken by a competitor that is more aggressive, by marketplace changes, or by implosion as the company, and the people in it, become ever more complacent.

Our business owner this week is also right, that there are some sweet spots, where businesses are optimally profitable and productive. For many service companies, \$2 million in annual revenue is typically one of those optimal spots. For manufacturing companies, the number is higher, to account for material costs.

My suggestion to this business owner is three fold: Define a limited growth rate going forward. Build a plan you can follow. Figure out what you love doing most in the business and make sure you get to do that at least some of the time.

Once the business hits an optimum profit / productivity point, the rush to grow can slow down to a manageable pace. 12% - 15% year over year growth going forward is probably plenty. It allows the business to stay ahead of inflation, and gives the business time to learn what it needs to know to succeed at the next greater size. 12% growth rate means the business will double in 6-7 years; 15% growth rate equates to doubling the business in 5 year cycles.

Once the business hits a revenue sweet spot, there is more money to be made by perfecting operations and focusing on improving overall profitability. Slowing down the growth rate gives operations, sales, marketing and customer service time to build skill. This will allow

the company to increase profits at a rate greater than the growth rate. In other words, going forward, the company can double revenue and more than double its bottom line.

Achieving significant profit and managed growth beyond the sweet spot is a matter of planning. Define the investments that must be made over time to improve the business. Spread those investments out, in order to protect cash flow and the bottom line. Implement changes slowly enough to allow improvements to generate additional cash.

Plan out growth: build the business slowly and carefully and you'll increase everyone's comfort and confidence. Identify when specific skills need to be added. Realize that continued growth of the business will require new levels of education for many employees. Build on successes by allowing employees time to master new challenges.

Growing will also necessitate hiring additional employees Hiring carefully, rather than in a rush will contribute to fewer mistakes and more productivity. It takes time to build skill, and to hire the right people. Slowing down the pace of growth, once the company hits a sweet spot, will allow more time for skill building and employee searches.

Here's one last suggestion for this business owner. Now is the



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time to focus on why you got into the business. What do you love doing most in this business? Make sure that you plan things out so that you get to do what you love. Many business owners get caught in the trap of doing everything else but what they initially loved about the business. Once you hit a sweet spot, it's time to get back to basics for the owner. There should be enough people on staff, and enough money to pay for talent. Now is the time to re-arrange jobs, so that you get to do what you love to do, at least some of the time. Make the business work for you.

Looking for a good book? Try Big Vision, Small Business: 4 Keys to Success Without Growing Big, by Jamie S. Walters.

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