

I run a small catering business and I'm entering my third year. I've hired my first full-time employee, a great chef. What are some of the things I need to think about as I go through this next phase of growing the business?

You owe it to yourself and your employees to be clear where the business is headed. Define an acceptable growth rate. Decide on a way to measure efforts invested in sales and marketing. Figure out standards for the catering work you do. Establish employee performance goals.

Set a growth rate that you can keep up with year after year. Stay away from big swings – up one year, down the next. Swings will eat up profits faster than slowing the growth rate to ensure you can achieve an increase each year.

If the business is below \$500,000 in revenue, you can probably grow revenue at 25 percent - 35 percent a year consistently. As the business grows and the numbers get bigger, decide if you should lower the percentage to ensure a steady pace upward each year. If you've been caught by the recession and you're having a hard time hitting your growth goals, lower the target but keep pushing for an increase over the previous year.

A good ratio of employees to revenue is in the range of \$150,000/full-time equivalent (FTE). Add up all the hours you pay for in an average week. Include your hours, plus staff and independent contractors, and divide by 40 hours/week. That's your FTE employee count. Now divide revenue by the number of FTEs. See how close you are to \$150,000/FTE. Below target? You're either not charging enough for your services or you have too many people doing overlapping work. Way above target? Watch out that you and your staff may be stretched too thin, dropping balls or not doing enough to grow the future.

Make sure you have more than enough money to pay your bills, pay your employees and invest in the business' growth. Now that you have a good chef, get out on the road selling. Line up profitable work for her to do. Weed out unprofitable work. Focus on customers who value what you do and will pay you what you're worth. Make sales and marketing your No. 1 job.

In sales and marketing, you can do a lot without spending a lot. Focus on and track weekly:

- referrals after each party;
- inquiries from all sources;
- new networking sources added;
- flyers handed out;
- emails out announcing what you do; and
- names added to your email data base

Touch more people this week than last. More people next week than this week.

As soon as you can, get someone out on the road in addition to you, promoting the business, paid mostly by commission. If they're any good, they'll bring in revenue and earn a living. If not, that's more their financial problem than it is yours – do replace them with someone who can produce results.

Measure the catering you do. To what degree is your customer satisfied? A simple leave-behind questionnaire and stamped envelope can tell you. Include a coupon promising a tray of sweets if the customer sends in the questionnaire.

Set clear employee standards. On time, cheerful, helpful, clean, neat, attention to detail and great presentation skills all matter in your business. If someone doesn't measure up, show them the door and get someone else.

Track the business's progress in an accounting system. Get someone to help you set it up correctly. Learn what the numbers mean so you can grow a profitable business.

Define how many years to exit and what you'll need to retire or start your next venture. Compare that to where you are currently. Calculate the growth rate needed to hit retirement on schedule. Think about who might buy the business. Start building things into the business that you know a buyer would value.

Be a good employer. Give proper direction and then let your employees do what they were hired to do. Teach your chef what's important to you, then turn her loose and see how she does.

Keep learning about how to be a good CEO by going to classes and reading books. Every month, remind yourself that you're building towards an exit strategy even though you're just getting started. Have a scorecard that tells you if the business is on track or not, and pay close attention to anything on the scorecard that's out of whack.

Looking for a good book? Try, "The Big Book of Small Business: You Don't Have to Run Your Business by the Seat of Your Pants", by Tom Gegax.

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