



Don't shrink from growth opportunities

Booming business requires proper planning, smart decisions.

By Tim Smith

Principal

The only thing hotter than the temperatures here in Houston is the business climate.

Seems like everyone I talk to is busy, busy, busy.

In fact, I keep running across companies that are experiencing tremendous growth but have no plan for handling it! It's almost as if they let their enthusiasm for new revenues blind them to the other, equally important needs of the company.

When business takes off, it's tempting to adopt an operating philosophy of "Get the business in the door. Give the customers what they want and we'll figure out how to do it the right way later." But it's a dangerous way to work, as unguided growth is confusing, exhausting and potentially fatal for your business – like being on a runaway train with no brakes.

Is your hair on fire?

You've probably heard the expression about a busy person acting as if his or her "hair was on fire." In other words, they are frantically scrambling about trying to figure out how to fix the problem ... and they aren't even sure what the problem is!

That's what happens when you grow too fast, without sufficient planning and guidance. You may be bringing in more sales, but you're likely failing on the other two key components of a successful business foundation – delivering what you promise and handling your money properly.

If you feel like your "hair is on fire," keep reading. I guarantee I can help you put it out. And if it isn't, but you hope to grow your business in the future? You'll benefit from these tips, too.



Repeat after me ... deliberate and anticipated

It sounds simple, but it's true – managing growth is much easier when the growth is deliberate and anticipated.

By "deliberate," I mean increasing revenue while increasing net profit at least as quickly, and doing so by selling products and services you're prepared to deliver.

By “anticipated,” I mean that you have some sense of what the future – even if it is only the near-term – might bring. You do this by tracking your financial and operational vital signs and using trends to guide the adjustments you make as the company grows, especially when those adjustments include changes in processes and additions of people.

Below are five key points you should consider when guiding your business growth:

1. Focus on success

Okay. So you’re bringing in more revenues, and your profits are keeping pace. You’re also tracking your company’s financial measures to make certain there are no surprises.

So what’s next? The important thing is to keep everyone in your organization focused. Don’t let employees get distracted by the pace and excitement of new business.

Company success or failure starts at the top. Are your company leaders – both managers and other key employees – focused on the goals and criteria for success? Do they share a common strategy and plan for how to guide the company’s growth?

In The Plaid Group’s March 2006 newsletter, I wrote about defining the criteria you use to evaluate the overall performance of a process. You can use the same approach for determining the most important factors for monitoring company performance. Your company might define success this way:

We’ll know our company is working well if . . .

- *We deliver what we promise – we deliver our products or services on time and in the manner marketed, support our customers after the sale, resolve any issues quickly and to the customer’s satisfaction, etc.*
- *We maintain adequate cash flow.*
- *We expand the business strategically by selling products and services in line with our long-term goals and objectives.*

If key people in your organization don’t share the same definition of success, then a facilitated off-site meeting can be an extremely effective way to set or reaffirm direction, align efforts to facilitate growth and collaborate on addressing immediate growing pains.

An off-site session is effective because it takes people away from the distractions of the work place and their normal routine, and allows them to concentrate on more than the latest crisis. It also gives participants a sense of ownership that is a powerful motivator.

2. Maintain cash flow

You can’t run a business without cash.

Profits look great on paper, but they don’t pay the bills. Cash pays the bills. Be sure to manage your cash flow:

- Track your cash flow to make sure that you always have sufficient funds to meet your obligations. A cash control plan – a detailed, written document that identifies cash inflows and outflows expected each month for the next 12 months – is a simple, but useful tool. Update it at least monthly as business grows.
- Diligently manage receivables. A sale is not the same as cash. You don’t get the benefit of the sales transaction until you’ve been paid.
- Remain in good standing with suppliers by paying them on time. If you don’t, you’ll likely see your relationship deteriorate. Remember, your best suppliers are partners in your success.
- Build an emergency fund of liquid assets. Secure a revolving line of credit . . . preferably before you get in a bind. Buying more equipment to increase capacity? Consider borrowing funds for capital expenses instead of using existing cash.

3. Keep your promises

In the long run, short-term growth doesn’t matter if you fail to deliver the promises you sell. You alienate customers and damage your reputation.

In a future newsletter, we’ll talk about the customer experience. In the meantime, consider this question: Do you have more business than you can handle?

If so, work with your leaders – managers and other key employees – to find ways to increase capacity.

If you can’t find a way to meet the customer’s needs, consider not taking on the business.

“No way!” you say? Take a minute to switch places with your customer. Would you rather rely on a company that tells you the truth or one that makes promises they can’t keep? If I were the customer, I know I’d prefer to hear the truth and understand my real options.

4. Keep talking ... and listening

How do you know if you’re keeping your promises? Your customers will tell you. Listen to what they’re saying and, if possible, include them in your efforts to find ways to adjust to the company’s growth.

Working with companies in transition related to growth, I've often watched normally collaborative people narrow their focus of attention until they get to a scope that gives them a sense of control. Citing their personal work load, they stop communicating with others, stop attending staff meetings and tend only to their immediate tasks at hand.

But that only makes the situation worse. Nothing gets better unless people work together to make things better. Meaningful changes – especially process and procedure changes – require communication to ensure that everyone works together to keep the organization synchronized.

5. Don't burn out your work force

Many companies that experience growth adjust processes to avoid hiring more people. That's a great first step.

But at some point, regardless of how efficient you make a process, you eventually hit a capacity limit and must either limit the volume of business you effectively transact ... or hire more people.

After you hit the capacity wall, overtime and "extra effort" work for only so long. The longer you delay hiring people, the more likely you are to burn them out.

And don't just "throw bodies" at the problem. Ensure that you quickly assimilate your new employees into the culture by hiring the right people, clearly defining their job responsibilities, communicating expectations effectively and providing the proper orientation and ongoing training.

Growth requires management

Managing a growing company is similar to managing any business process. It requires coordination and collaboration, focused attention and a deep-rooted understanding of what's important to your customers.

At The Plaid Group, we help growing companies understand and prepare for the changes new opportunity brings. If your business is booming, we can probably help you, too!

More Information? If you'd like to learn more about managing business growth, please send an E-mail to info@plaidgroup.com, visit our web site at www.plaidgroup.com, or call us at 713-627-3569. The Plaid Group publishes a free bimonthly e-mail newsletter filled with insights and ideas you can use to enhance your company's operational performance, spur growth and increase bottom-line profits. To subscribe, change your e-mail address or unsubscribe, please visit www.plaidgroup.com/newsletters_subscribe.asp.

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