

GROWTH STRATEGY AND PROFITABILITY

Many organizations have strategies focused on growth. But some of these firms may be missing the mark. Growth for growth's sake can result in disaster. Too often businesses, especially those in the small and midsize markets, focus on growth to the detriment of profits and cash flow.

First of all, can the business support the level of growth that management wants to pursue? Do you have the right people, with the right skills in place to carry it off successfully? If you don't, where will you find them? (It's no secret that highly qualified, skilled professionals in any industry are in high demand right now. Do you have time to "grow your own," or are you playing the HR lottery and hoping to get lucky hiring someone that has been trained by a competitor?)

And what about infrastructure in terms of systems and processes to help manage the growth? Will your present systems provide you with the management information you need on a timely basis to monitor operations? Finally, does your business plan identify how you will fund the growth? There is some truth in the old adage that, "it takes money to make money." If you can't answer these questions affirmatively, your business could face some unpleasant surprises.

On the other hand, rather than focusing merely on top line growth in revenue, our most successful clients focus on growing the bottom line. For example, in the last few months, we've assisted a couple of closely held businesses whose management chose to focus on growing their companies' net income. These are established, successful companies with seasoned managers who know their industry and their firms' capabilities within the industry. One does about \$45 million a year in volume, and the other is projecting \$300 million this year. They have identified what it will take to grow their bottom lines and are pursuing strategies that will help them do so.

Of course, significant growth in the bottom line implies at least some growth in the top line, but it's planned growth, with targets for return on revenues and return on equity. It's not growth for the sake of growth. Many fast, flexible entrepreneurial companies face a variety of opportunities. Strategy is as much about what you will not pursue as it is about what you will pursue. One of our clients, for example, is a third-generation construction contracting business. Most of the work they perform presently is negotiated work, rather than hard bid work. Their culture and their present management team really wouldn't support a strong push into new markets where the bulk of the work is hard bid. Recognizing that fact of life helped them choose a different, more appropriate growth strategy.

Dom and his firm assist managers with growth, strategy and performance issues, including organization development, team building, partnering and coaching.