



“BUSINESS GROWTH” what does it really mean?

Business people often think about and discuss the possibility and ways to grow their business. They often speak in ways that truly reflect on, or lead to real and sustainable growth. It's the old “I'd like to take my business to the next level?” But what the ‘real’ next level is, is a very different discussion for most businesses.

many owners treat their business as their “baby”. On reflection, that may not be very objective when the time comes.

In reality, for the majority of cases, business growth is really not that much different. Successful and sustained business growth is derived from a significant and complex number of interacting and well-balanced inputs both internal and external to the business and its market space.

Growth means different things to different people

As we grow older, as our business matures, our needs and indeed views of the world around us tend to change. As an owner-operator of a business, it is essential that you periodically review your definition of success and how growth of the business factors into that definition. Is it market segment domination? Profitability? Innovation? Social? Or perhaps environmental factors are the prime drivers. That is of course if you wish to at least maintain the status quo let alone continue growth. You may carry a mix of these necessities in the forefront of your mind. However, when confronted with committing a growth statement to paper – in just one sentence – most owners will realise there is only one dominant driver though obviously other factors play an important role in

Let's start with a simple example. A balloon – a piece of latex that you can hold in the palm of your hand. Add air and it very quickly becomes a larger balloon. Let air escape and it even more rapidly becomes a smaller balloon. Too much air or contact with external sharp objects and the balloon bursts, converting it to a relatively useless piece of latex. In reality, the size of the balloon in terms of the amount of latex remains constant. Only the volume of air provides the variable “growth” in its size.

when the owner is forced into a rational decision to reduce growth. Often determined due to lack of funding, staffing growth issues and more often than not the realisation that they don't wish to be in a business that has had exponential growth without infrastructure and control. Think – a runaway train. The balloon explosion is metaphorical of a business failure or liquidation. In recent weeks, all too common in our changing economic environments. Perhaps the failure to seek help earlier may have produced a different ending.

To some extent, it can be argued that a business can expand and contract in much the same way. The structure and model of the business remains constant so that “growth” simply relies on adding more and more revenue. However, as with the example of the balloon, logic dictates the more growth, the more fragility – i.e. easier to pop the balloon. It is what we refer to as the implosion point in business or in the balloon's case, the explosion point. With the business implosion point, the typical scenario is this is the point

An obviously far more complex analogy would be the physical growth of a child. The child starts off small with few external skills but is nurtured and continues to grow to maturity. Of course, unlike the balloon there is no way to ‘let the air out’. How the child develops both physically and mentally throughout this growth period is highly dependent on a large number of interacting and symbiotic inputs including parenting, general health, education, food or you could say inputs. We have witnessed

achieving that preferred objective. Why is this the case in most businesses we speak with? A very interesting concept to ponder.

Once you have clearly defined what growth is for you, then you are more easily able to identify what needs to be done in your business to achieve a realistic level of sustainable growth. Growth as a concept could then potentially have a definitive position. Growth, we suggest, will become tangible. A more simple and effective task to bring your employees along on the journey. Theoretically and in terms of real practicality your actions to define growth are a great leap forward to your real target audience and above all to measure the effectiveness of achieving your desired growth objective.

Measure twice, cut once

For many, it is easy to simply push change through a business and then play the blame game when it all goes pear shaped! Those elite few who opt for the more successful, more difficult route are those who effectively plan and implement change that is readily adopted at all levels of the organisation. Sometimes this is achieved within the existing culture and other times it requires a change of culture. In all cases however, it requires careful analysis and a well-considered game plan. The switch point we see, is best defined as the point at which the business person acknowledges and respects that the business they created and nurtured is no longer just a small business. Perhaps, even a rare few accept that responsibility and in turn growth by any number of avenues like training, coaching, mentoring or self-education must be the next phase. Far too many listen to the narrative of inward looking employees or other small business.

A wise initial decision is to engage independent assistance to reach logical and objective decisions. Large (especially listed entities) have a Board of Directors that includes one or more described as "Independent non-executive Directors". By definition, these Directors do not hold shares in the business, nor do they become involved in the day-to-day operational decision making. Their primary role is to act as the watchdog in all strategic decision making. To assist the Board make objective decisions rather than subjective or, emotionally biased decisions. In a smaller company without a formal Board of Directors an independent consultant or advisor, able to grasp the vision of the business owner, plays an equally important role in seeking objective decision outcomes.

If the plan is to acquire an opposition or synergistic business, then it is equally wise to make an approach through an anonymous

third party so that your identity is not disclosed at an early stage. If you approach another business directly with an offer to buy then you give up most of your bargaining position. You have nowhere to go, nowhere to hide in the discussions and risk it becoming an emotional discussion that may not end well for either party.

There is the obvious "good cop bad cop" routine which certainly offers the client the very worthy outcome of remaining at a distance to any of the probing and direct questions which may be required if the potential vendor doesn't choose to disclose all the necessary facts. Or it maybe as simple as the buyer is embarrassed or doesn't know what to ask.

Ultimately, there is a reasonable argument to have business growth generally defined as maintaining and indeed increasing the overall value of the business. At some point, as an owner, you will either have the opportunity or, be forced to step out of the business. Those who have given best consideration to how to provide for business growth will generally have the greatest control in how and when they do exit their business. Those who pay little attention to growing their business in some form or another will likely have significantly less opportunity to control both the timing and value of their exit.

You often see professional sports people make the choice to leave at the pinnacle of their career. Many who chose to stay and play on may never gain the full opportunity they have created. Frequently, this decision is not to their best advantage or worse, they have a fall from grace or injury. Consequently, its Warren Buffet's great quote about stock value that may well resonate in the ears.

"IF A BUSINESS DOES WELL, THE STOCK (VALUE) EVENTUALLY FOLLOWS." Warren Buffet

TO GO

To decide to sell a business is, for most founding owners (often baby boomers), a very significant decision. One often put off for too long and lacking in strategic planning. Having made that choice myself, it is something I do genuinely understand. In my case I worked with professionals for nearly seven years to finalise process and systems and create a proven and repeatable track record for the new business and the future owners. A real win-win. Sadly, with most businesses we help sell, their use-by-date is already lapsed. Sadder still, few are prepared to re-invest in the hard work required to lift the business to a level which is 'on the same page' as a prospective investor. Therefore, simple to say, difficult to do – isn't it best to run your business as if it was always ready to sell?

Always striving and punching above its weight, moving mountains and delivering sustainable profits!

Working to generate sufficient revenue and profit each year to take a salary and dividend is about your job and how much the business pays you.

Taking decisions and implementing them with the intent to grow the business, thus increasing the value or worth of the business, is about your investment (the business).

Too often the owner of self-owned businesses pays far greater attention to the day-to-day revenue/ profit than the overall value of the business. Unfortunately this does not change as they get closer to wanting to sell.

Reality is that all businesses should be operated as if they were being readied for sale. A simple SWOT of the business should assist the owner make prudent decisions that will, or at least improve, and defend the existing worth of the business. Primarily, how relevant is the business to its existing client base both now and into the future. Is productivity being optimised? Will a buyer look at the business as an opportunity to buy some more clients for a low cost or, will they be able to look at it as an opportunity to more rapidly grow/improve their business? Obviously the second option is more likely to yield a better outcome than the former.

Grow or Go – just don't stand still!!

"IN THE BUSINESS WORLD, THE REAR-VIEW MIRROR IS ALWAYS CLEARER THAN THE WINDSHIELD." Warren Buffet

Whether the objective is to Grow or Go the first steps are pretty much the same and I am sure you've heard it all before – Prepare, Prepare, Prepare! Boring but true, your job priority remains to largely manage your business. So, stage 1 is basically undertaking a brief strategic review of the business including a basic SWOT followed by a plan of action.

I hope you enjoyed this thought provoking article. Due to its nature I co-authored with Michael O'Connell of AS Fisher who has advised and sold many iconic sign, print and supply businesses in recent years and I thank him for his insights.

We are offering a free 2-hour consultancy in our office in Pyrmont to discuss your strategy for business growth or direction. Please take our self-assessment test or email me on john@controlzone.com.au with "Grow or Go!" in the subject line for a return call and to set up a meeting.