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MANAGING GROWTH – RECOGNIZING AND HITTING TRANSITION POINTS

Most startups fail. A recent study of 2,000 venture capital-backed businesses showed that 75% failed in three to five years. They are not my audience. The companies that get liftoff, break free of the "small business" gravitational pull of $1M sales/year and keep going – *you* are my audience. Congratulations!

Growing businesses, whether they be service-, manufacturing- or technology-based companies, begin to gather momentum and then scale. That's the point when they hit upward inflection points that are step-ups from where they are today. They expand products, plant capacity, market reach by segments, geography or international markets, and even physical locations. They may take on partners for manufacturing or distribution, and their need for what they see as "nonessential services" (like legal, finance and executive recruitment) accelerates to uncomfortable levels.

Most successful business founders have a unique ability to focus, becoming riveted on filling a customer-valued market need. Yet they all seem to have the same blind spots that cause them to miss critical transition points with common negative impacts. The results are the same: they fall behind and become reactive, leading to nonconstructive stress throughout the organization. The further one gets behind these inflection points, the harder it is to catch up.

#1 – Managing for Profitability

It is about the money. Seriously. Building a culture driven by financial goal setting, commitments and ownership, timely performance reviews and recovery plans, for if you fall behind, is critical. Required are staffs and teams that understand managerial finance, including managing-for-profit, productivity, cash flow management and building a healthy balance sheet. When do you do this? Timing and dedication to the process are key before you run through scarce capital and cash.

#2 – Transitioning to Marketing

Companies go through stages, beginning with invention and proof points and then moving into initial sales and broader market acceptance. Somewhere in there, the world notices your "better mousetrap" and competitors want "in" to your market. Some erstwhile competitors are big and have plenty of resources. So how do you compete? Refining your value proposition and aiming at defensible market niches is the key. Along the way, pricing strategy becomes crucial. The most important variable is changing the game before the competition recognizes it. That's called marketing, and doing this too late is, well, too late.

#3 – The Most Valuable Resource – Your People

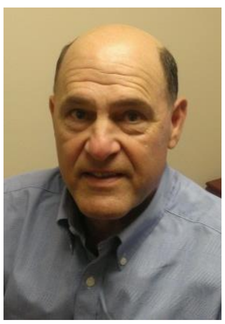
It never ceases to amaze me that many executives do not realize that their key resource goes home at night. You can have incredible patent protection, but if the "people engine" isn't running, you are in deep trouble. Similarly, at inflection points, if you do not add key human resources, you will fail. Most growth businesses are too slow to add a human resources manager or executive, and that is a killer. Think about the complexity of staff quality and timely hiring, compensation planning and management training and development at all levels and performance appraisals. Think, also, about developing a corporate culture that is positive, progressive, honest and risk-taking. When do you get started on this? The sooner the better!

#4 – Win in Your Primary Market

You cannot sell the second if you do not sell the first. Become well established in your primary market and build upon that to be successful. Develop your credentials of value, quality and service. Too many growth businesses go horizontal into additional products and markets too soon and default their primary market before expanding. I call these "hobbies," and they are distracting and resource diluting. In today's business world, you must execute with precision, quality and speed. You need to determine what is a critical path and what is not.

Founding CEOs are focused and driven, and that is what ensures their success. They know what they know, but all too often they neither recognize nor appreciate what they do not know. The above stress points are very real, and simply understanding that they loom ahead is helpful. Successful companies confront them in a dedicated and timely way. Others miss the inflection points and inject unnecessary risk into their business equation. How you adjust and develop new practices will define the future performance of your business.

By Jeff Goodman



Jeff Goodman is the principal of Best Practices Inc., a business consulting firm located in West Stockbridge, Massachusetts. Jeff has helped companies such as General Electric, IBM and others make timely, high-quality decisions. He will dig deeper into some of the points highlighted above in future articles. You can contact Jeff at jeffgoodman47@outlook.com. If you are interested in learning more about this "Managing Growth" topic at a CI-sponsored seminar, please contact Melanie Hoben at melanie.hoben@ctinnovations.com or 860-258-7820.