

Juggling Small Business Growth

By Bernie Meineke

Everyone in business wants to grow, right? Except for hobby businesses, or those where the owner doesn't have growth as a goal, the answer is usually "yes." In the beginning, most business owners think only of survival, and rightly so. The popular press is full of studies touting the long odds against business survival, let alone success. But if an owner is good enough, or lucky enough, to beat the odds, he or she may be faced with a whole new set of problems - those caused by runaway growth.

Being at the controls of a business experiencing explosive growth is a heady, wild ride. And the feeling may creep into the owner's head that, "the hard part is over." Maybe the hard part is just beginning. One of the great contradictions of business ownership is that from the very beginning, an owner must think ahead and put procedures and infrastructure in place *just in case* the business is successful. But most owners can't begin to think about how to handle success before they're even out of the starting gate.

How does a business keep from being a victim of its own success? All businesses are a juggling act, but rapid growth means keeping at least three balls in the air, including one each for marketing, finances, and production.

Marketing Challenges

Rapid growth usually occurs when demand for products or services overpowers the business. This may happen due to exceptional marketing skill, or it may simply be a case of good fortune. Either way, too many sales too soon can put the business in jeopardy. Failure to fill orders with quality products will result in angry customers and will hurt future sales, so sometimes it's necessary to put the brakes on growth until the company is able to deliver.

Financial Challenges

When sales are pouring in, it's a good time to review pricing. If low prices are contributing to the strong demand, it may be time to pull back the marketing effort (or raise prices). Don't be afraid to say no to sales growth if the numbers don't add up.

To survive and grow, a business needs to make a profit *and* have good cash flow. The importance of knowing costs and pricing properly is critical, but the issue of cash flow can be an equally serious problem. Any business that has to spend money up front to produce the product or service, or that sells on credit to customers, may be in trouble when the orders start pouring in. In this situation, a business will show a profit, but may be unable to

pay the bills. The business needs cash, and if it can't find it, growth will grind to a halt.

Production Issues

Adequate production capacity means having the ability to make enough of the product or service. Also, does the company have enough people or enough depth in the management team? More production capacity and more people can often be fixed by adding money, but beware of simply throwing money at problems. Finding the right people, and having adaptable, creative management is more important.

To grow, the owner must transform the business from a small operation where chaos rules to one that is professionally managed. The resulting business infrastructure includes a strategic plan, delegation of duties, formal procedures, and accountability.

What to Do?

As noted, author Stephen Covey says, "Begin with the end in mind." Plan to be successful. Don't just plan how to get sales, also plan how you will process and fulfill the orders and how you will finance the growth. Set up systems to handle growth before it happens.

To create a solid plan to handle growth, seek help from the consultants

in the Georgia SBDC Network. They are ready to help companies grow into professionally managed businesses that can grow in a profitable, organized way.

Business Sense



Finally, don't be afraid of growth. A smart plan for growth will help keep all the balls in the air.

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