The Right Way to Think About Business Growth

For many business owners – especially those just starting out – it’s all about growing as quickly as possible. Most entrepreneurs never question their belief that growth is good, bigger is better, and that the healthy vital signs for a business include continuous growth.

And business media, as well as Wall Street, often fuel this feeling with their “grow or die” type of mantra. Nevertheless, it’s wise to think and plan before you grow. Remember that growth is a business strategy, not something that just happens.

For one thing, research shows that most business owners are unrealistic about growth prospects. Above-average, long-term growth (five years or more) is an exception, rather than the rule, and occurs in less than one business in 10 that researchers have studied.

The vast majority of companies seeking to growth themselves rapidly tend to pursue it in a way that creates as many risks of failure as chances of success. And when you combine shaky assumptions with bad judgment — and perhaps greed or arrogance as well — the results can be serious or fatal to the business.

Daniel Kehrer, Founder & Managing Director of BizBest Media Corp., (who is a nationally-known, award-winning expert on small and local business, start-ups, content marketing, entrepreneurship and social media, with an MBA from UCLA/Anderson.) identified some of the pitfalls that rapid or premature growth can create for a small business:

**Growth can create new and unforeseen business risks and unintended consequences.** Growing a business often requires investments in technology, people, equipment, raw materials, space, supplies and other things. As these cash outlays occur before new revenues kick in, many small and mid-sized businesses find themselves exhausting their cash reserves and needing to either borrow or obtain new funds from investors.

**Growth can force you into the fast lane before you are ready.** Are you ready – and capable – of leading a larger organization? Think realistically about your true skill sets. They may not include what it takes to lead a business that’s growing fast. And keep in mind that growth can pit smaller companies against larger and more experienced players before they truly know how to handle that kind of higher-powered competition.

**Growth can strain your existing operations.** Rapid growth can pose huge challenges for your people, processes, controls and your own management capabilities. That in turn can lead to quality or service problems and the increased potential for damaged relationships with your existing customers. It’s not unusual for previously loyal customers to jump ship when they perceive the business is cutting corners in order to fuel faster growth.
Planning for Smarter Growth

To overcome the risks associated with willy-nilly growth, small businesses need to adopt a carefully planned out growth strategy that has these components:

1. **Lay the groundwork for growth before kicking the strategy into gear.** Think about how growth will change what both you and your business will need to do. What new processes, controls, financing, technology and people will you need in order to achieve the level of growth you want and sustain your business at an entirely new level? And what will it all cost?

2. **Carefully set priorities about what changes or additions to the business have to be made to accommodate the growth.** This is a way to lower the risk by making only the essential investments first, so you don’t deplete your cash reserves before new income starts rolling in. When launching new products, for example, consider the “MVP” approach of creating a “minimum viable product” to test market before you spend time and money to perfect it.

3. **Establish new processes** to ensure there are adequate financial, operational, personnel, and quality controls for a bigger business. These are like dams on a river: If the water starts flowing faster and with more volume, those dams need to be reengineered to handle it. But these are also things many small business owners have trouble with because they come from an entrepreneurial mindset and tend to merely react to new situations rather than plan ahead.

4. **Pace your growth so you aren’t overwhelmed.** Growth can be exciting, but it’s also stressful. If you underestimate the need for effective change management, and for a phased approach, you increase chances of failure.

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