by Joan Adams

Growth Is Good

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In the movie "Wall Street," the character Gordon Gekko tells us, "Greed is Good." The jury is still out on that one, but on the other hand, all Wall Street analysts will agree that "Growth is Good." In fact, growth is more than good – it is key – growth must be part of your business strategy in order to succeed.

A company's revenue growth year over year is one of its most important vital signs. Analysts reward publicly held companies that beat the growth estimates and punish those that don't. Privately held PVF companies are no different. While not subject to the harsh expectations of the analysts, growth is just as important.

Revenue growth over the years shows a well-managed company. It demonstrates a company's ability to deliver product, find new customers and offer new services. In short, growth shows a company's ability to consistently generate more revenue. You will find a record of steady revenue growth goes a long way to getting access to capital (be it through investors, banks or partners). If you ever wish to sell your company, steady growth will play a major role in your company's valuation. New vendors are interested in your growth numbers as well – they don't want to give any kind of exclusive territory to a company with declining numbers. Even customers are interested in your growth numbers. They want to know that you will be around for the next 10 years.

Growth is one of the many challenges facing today's PVF companies. Increasing revenues is often done by sacrificing margins, and regrettably at times, taking a profitability hit. Growing market share, expanding product lines and extending geographic reach will all increase revenues, but some of the adventures can cost more than they will ever bring in. Following the "growth at all costs" path, companies can grow themselves right out of business.

A company's cost structure logically pushes a company toward a growth strategy. The simple theory is that five people can generate and support more business (revenues and profits) than four – and that fifth person doesn't cost that much more. You already pay for the office, the software, the inventory, the utilities. Sure, the salary and benefits costs will go up, but typically the value brought by one additional employee outweighs the cost. (This theory only works incrementally. A company adds one employee at a time until it hits break-even – that time where the additional employee brings in exactly the same amount of money it cost to bring him on.)

Growth also gives companies a competitive edge. As your company grows larger, the more buying power you have with vendors, the more "name" recognition you have with customers, the more resources (people, money, materials) you have at the ready.

These days increasing revenues every year is not as straightforward as it once was. So, how do you make sure your company grows, grows steadily and grows the right way?

Here's something to consider:

A University of Michigan research study determined that an increase of just 1% in customer satisfaction will bring about a 3% increase in market capitalization.

Now let's consider another study:

A Deloitte study of 150 technology CEOs (and you would figure of all people, these folks would understand that delivering value to the customer was a key component to growth) showed that only 6% of these firms regarded customer loyalty and customer satisfaction as keys to maintaining competitiveness and growth.

The Internet revolution and the lowering of trade barriers have completely upset the old familiar status quo. All companies (i.e., your competitors – domestic and foreign) now have the ability to "reach" customers pretty much anywhere (whether it is cost effective to do this is another issue). Your competitive arena just got a lot more crowded. Companies you have never even heard of can find, pitch and sell to your customers, even your most loyal regulars. But these guys can only do this if you let them.

The moral of the two studies is that the customer is one of the big keys to growth and some pretty savvy technology companies haven't figured this out. In a business like PVF, where most companies sell the same (or at least very similar) products, customer satisfaction will be directly tied to service. If you can consistently bring value of service to your customer – and target new customers who value that service – you will grow steadily and safely.

Recognizing the importance of customer service and customer satisfaction to company growth is critical. How do companies develop good growth strategies and put them into action? Here are some growth-focused steps to follow:

1 Sit down and write your company's plan for growth. Some companies consider covering payroll and paying the rent success, and that's all they ever achieve. Successful companies have a plan and they follow it.

2 Since the studies show that customer satisfaction can drive growth, you need to know how happy (or unhappy) your customers are. Lost any accounts in the last year? Find out why. Did they go over to the competition or did they change their business? Ex-clients and customers whose activity with you has dropped are great sources of information. Call them up – ask them why their business with you is down.

3 Focus on short-term growth. Identify key goals and track them daily. You can't go back and undo a quarter of no growth. Thinking that you will make it up the next quarter is folly (you would have to grow enough to cover two quarters to do that) and before you know it, a year has passed and your company didn't grow. Focusing on the short-term growth will deliver the long-term results.

4 Develop measures and reporting systems. This can't be done without looking at the numbers. Daily tracking is your early warning system – it buys you some time to correct your course of action. It will also help you understand everything from your employees' performance to market trends.

5 In a service business every one of your employees can contribute to growth or can stall your business. Create "growth" incentives for all your employees, not just for the managers. These incentives should be tied to specific things that can be measured for each employee.

And remember, steady small growth is much better for you, your employees and your customers than wildly seesawing growth. With steady growth you will build a bigger and, most importantly, better company over time, one with significantly more market value – which is the whole point after all!!! <<

Joan S. Adams has consulted for industrial clients for more than 15 years. She headed DITT, the consultancy arm of the French National Utility, Electricité de France, and was a managing consultant at A.T. Kearney. Later, she started Pierian, a consultancy that brings sustained and measurable success through operational excellence, customer focus, and competitive market strategy. Joan Adams speaks French and Spanish. She has worked on projects in Europe, Central America, Africa, Asia as well as North America. She has engineering degrees from the University of Wisconsin-Madison and MIT. She also has an MBA from the Wharton School. She can be reached at adams@pierian.net.