

Plan for Long-Term, Sustainable,

Long-term, sustainable, profitable growth is the result of creating value for the Customer, Employee and Shareholder/Owner. Growth is the reward businesses reap when they succeed in satisfying the needs of these three groups. Fail to satisfy one of them and the consequences can potentially be catastrophic. Understanding Shareholder/Owner needs is quite simple...they seek the best possible return on investment. Understanding the needs and desires of Customers and Employees is, to the contrary, more difficult to understand. A considerable amount of time needs to be invested by all business owners and managers to get inside the heads of these two critical groups.

There are three very important components of growth that should be considered:

Long Term

To focus on short-term wins may be advantageous today, but may not serve the business well to the future. Look for opportunities that will yield more long-term benefits. A business's vision and mission must be supported by a strong culture of values and ethics firstly inside the business, but importantly that extends beyond its four walls and radiates outside the business—with customers, suppliers and the community. The combination of a clear vision and mission and strong values is what ultimately drives the business's long-term performance.

Sustainable

From time to time, businesses may run into trouble unless they control their growth. Growth can be orderly or it can be unrestrained. Unrestrained growth can lead to less than optimal performance or even financial distress. Simply, sustainable growth is the realistic attainable growth that a business could maintain without running into problems.

If sustainable growth is less than actual growth over a protracted period, the business cannot sustain such activity without funding that growth. Either they need to plough more profits into the business (ie. Reduce dividends to shareholders or salaries to owners), increase net profit margin or turnover performance, or fund from more risky sources, such as increasing the debt level.

When sustainable growth is greater than actual growth, the business has the potential of ratcheting up growth. If they consistently fall below sustainable growth, they are passing up returns for shareholders/owners.

In summary, make sure you plan today for the resources you may need to the future, to deliver to your customers a quality product or service, in full and on time. When looking at resources, consider people, plant and equipment, facilities and finance.

Profitable

Growth for growth's sake is fraught with danger. A business should have a policy on the minimum

gross profit sought from any new business. This key performance indicator (KPI) may be split by sales channel, group, customer, region, product line or product, but it must be set.

New sales with low gross profit margins can have a detrimental effect on operating efficiencies, quality and return on investment.

Ten Tips for Long-Term, Sustainable, Profitable Growth

From: *Profitable Growth is Everyone's Business: 10 Tools You Can Use Monday Morning*, Ram Charan.

1. Make revenue growth part of everyone's daily work routine.

Revenue growth should be a discussion point at regular staff meetings. Remember revenue growth does not necessarily need to be communicated in dollars. It could be in units, percentage increases on last month, last year or against budget. Daily reports need to be circulated to all key business decision makers. Managers need to educate staff that every contact with an existing or potential customer is an opportunity for revenue growth.

2. Hit singles and twos, not just boundaries.

Whilst boundaries allow for an awe-inspiring spike in revenue growth, quite often they are infrequent and require the taking of undue risks. The singles and twos are less risky and allow you to accumulate

Profitable Growth

revenue growth in a steady and sustainable way.

3. Seek good growth and avoid bad growth.

Good growth not only increases revenues but improves profits, is sustainable over time, and does not use unacceptable levels of capital.

4. Dispel the myths that inhibit both people and your business from growing.

Myths such as, "We are in a no-growth industry, and no one is growing", "Customers are buying only on price", or "The distributors are the ones in direct contact with retailers, and there's not much I can do", need to be confronted by strong business owners and managers.

5. Increase revenue productivity

Actively and creatively search for ideas for revenue growth without using a disproportionate amount of resources. Invest your current level of resources in a way that leads to increased sales by analysing everything your business does, from the seemingly mundane to the vitally important.

6. Develop and implement a Growth Plan

To be discussed in my next editorial.

7. Beef up upstream marketing

Develop in the very early stages, a clear market segmentation map and then identify and precisely define which customer segments to focus on. Understand what your unique selling proposition is and understand how to capitalise on it.

8. Understand how to do effective cross-selling

Select a group of customers and then work backward to define precisely the mix of products and services they need and creatively shape a value proposition unique to them.

9. Create a corporate culture that stimulates revenue growth.

Give people the scope to influence revenue growth at all levels and reward where justified.

10. Convert ideas into revenue growth.

There needs to be a framework in place for the collation of revenue growth ideas. These ideas then need to be discussed, prototyped where accepted and ultimately launched to the market place.



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