

Strategies for Growth-Hungry Companies

SURVIVAL, GROWTH and PROFITABILITY STRATEGIES

Levels of Growth	LEVEL 1	LEVEL 2	LEVEL 3
Order of Priority	<ol style="list-style-type: none"> 1. <i>Survival</i> 2. <i>Growth</i> 3. <i>Profitability</i> 	<ol style="list-style-type: none"> 1. <i>Growth</i> 2. <i>Survival</i> 3. <i>Profitability</i> 	<ol style="list-style-type: none"> 1. <i>Profitability</i> 2. <i>Growth</i> 3. <i>Survival</i>
Survival	<ul style="list-style-type: none"> • Emphasize cash flow • Create viable products and/or services • Develop strong basic accounting: <ul style="list-style-type: none"> - Monthly financial statements - Cash flow projections - Operating budget • Short term business plan • Identify and procure necessary funding 	<ul style="list-style-type: none"> • Emphasize cash flow • Secure additional funding • Develop incentive structure to motivate and reward superior performance • Create a strong management team • Expand and improve accounting systems to include operational performance measuring • Externalize <ul style="list-style-type: none"> - Knowledge of economy - Knowledge of own and related industries - Knowledge about competition • Intermediate strategic plan for scaling business 	<ul style="list-style-type: none"> • Emphasize cash flow • Emphasize building an asset base • Emphasize executive leadership and management development • Create strong accounting, financial control, and financial performance reporting systems • Create strong work process systems • Create strong employee support and development systems • Expand externalization • Short and longer term business/strategic plan • Emphasize timely, accurate assessment of competition
Growth	<ul style="list-style-type: none"> • Develop customer and revenue base which will survive indefinitely and can be built upon • Define and cultivate the most viable markets within limits of financial resources, size, management ability, distribution capacity, etc. • Do not diversify into other businesses 	<ul style="list-style-type: none"> • Expand market base and product line by plan, not by whim • Capitalize on product and market knowledge and technical skills acquired in Level 1 • Do not diversify into other businesses • <u>Emphasize</u> acquiring and developing <u>the right</u> key personnel 	<ul style="list-style-type: none"> • Expand into other market segments by plan • Emphasize new product development and old product discontinuation • If diversification is a must, expand only into very closely related businesses which can capitalize on parent company's management, marketing, and technical strengths
Profitability	<ul style="list-style-type: none"> • Owners must be committed to building a company rather than high personal income and free time • Make cash flow and growth more important than high profitability 	<ul style="list-style-type: none"> • Increase profit rate, but plan to invest in longer term product and market development • Achieve adequate return on assets • Make building a viable organization more important than high profitability 	<ul style="list-style-type: none"> • Achieve consistently strong profitability and return on assets • Strive to make company financially balanced to retain and attract outstanding middle and executive management, and technicians • Make investment in people and systems a priority