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Growth Strategy

Many small business owners are only seeking a survival strategy. When I ask them about growth they ask “Why should I seek growth? The answer is simple. The problem they face is inadequate cash flow. They can only cut back so far before they are forced out of business. Growing the revenue stream is their only viable long term option.

On the other hand when a business is going well these day, the owner tends to become comfortable and only wants to maintain the status quo. This too, is a mistake because in a chaotic world regulation, technology, and cultural changes occur on a daily basis. These changes are beyond the control of the owner and have a disruptive effect on the business environment. By continually seeking growth opportunities a business owner can offset, or even take advantage of, changes as they occur in the marketplace.

So how does one go about achieving growth? There are three possible strategies for growing a business as follows:

First the business can seek to expand its market share in its existing market segment. This strategy is called **growing market share** which focuses on sales and marketing activities in the existing sales territory as shown in figure 1 below.

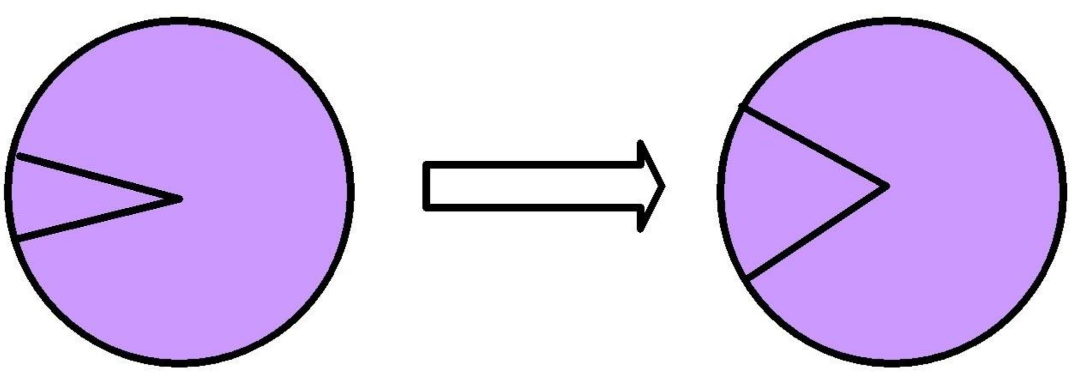

Figure 1 - Double market share and revenue can DOUBLE.

Second the business can expand its geographic service area. This strategy is called **territorial growth.** Theoretically this approach can yield greater results than the first by extending distribution into a larger territory. Figure 2 illustrates the potential of this strategy. In this case sales and marketing are key activities but additional infrastructure investment may be needed to support selling in an expanded territory.

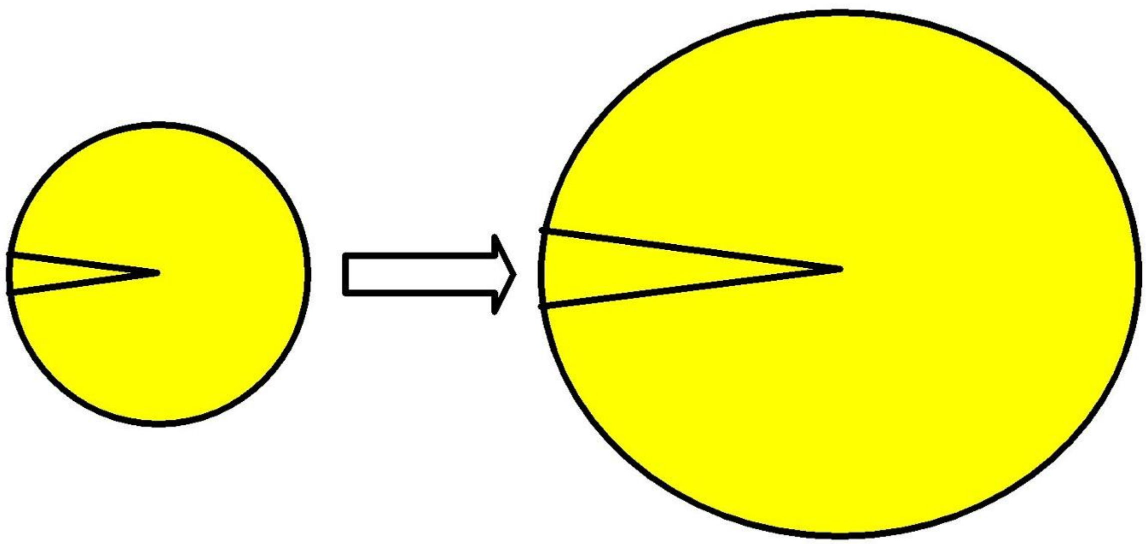

Figure 2 – Double the marketing territory and revenue can increase FOUR times.

The **third** approach is to expand both market share and the geographic service area as shown in figure 3. This combination strategy is referred to as an **aggressive growth** strategy. It requires sales, marketing, distribution, and often increased production capacity. While the strategy may be accomplished through internal growth, it can involve mergers and/or acquisitions to speed success. Figure 3 below illustrates how this strategy can grow revenue.

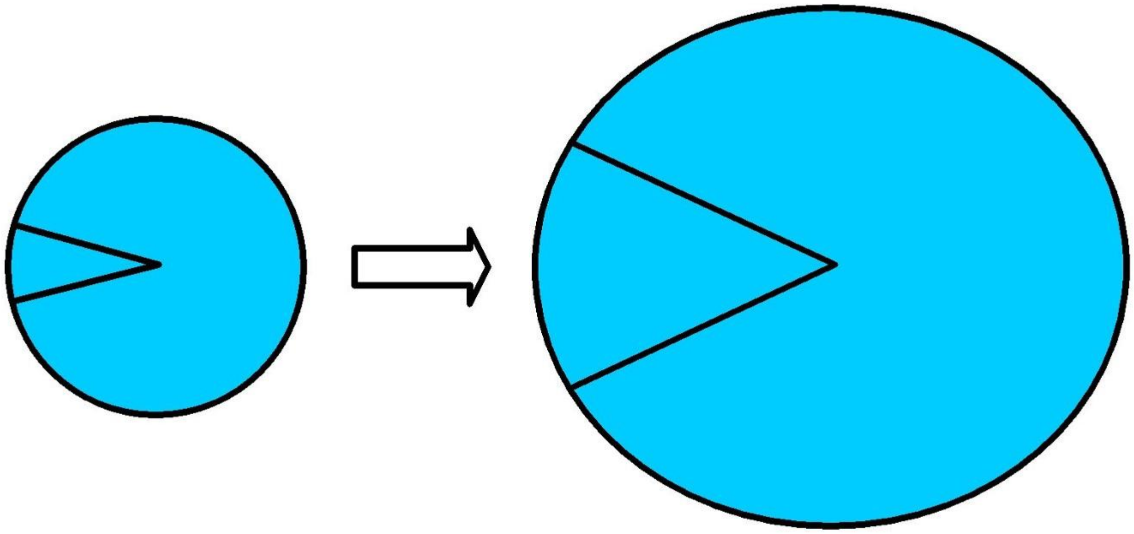

Figure 3- Double both market share and territory and revenue can increase EIGHT Times.

A word of caution about an **aggressive growth** strategy. Of the three strategies outlined this involves the greatest risk. The investments in marketing, facilities and personnel can be substantial. Mergers and acquisitions add a whole new level of risk. In the end a focus on achieving rapid growth can easily create an unmanageable situation in which the business grows far beyond the ability of management to effectively operate it.

Management must be aware that any growth strategy involves new risks and greater demands on the decision-making capacity of the company's leaders. Many a company's demise has been rooted in failure to effectively implement their growth strategy.

Finally, it should be noted that each of these strategies can involve the development of new products and services. Implementation of new products and services offer existing and prospective customers more and can be a huge advantage in achieving growth. However, it must also be noted that developing new products and services adds both costs and risks. This is beyond the scope of this article and will be covered separately in a future article.