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How to Pick Your Path to Progress

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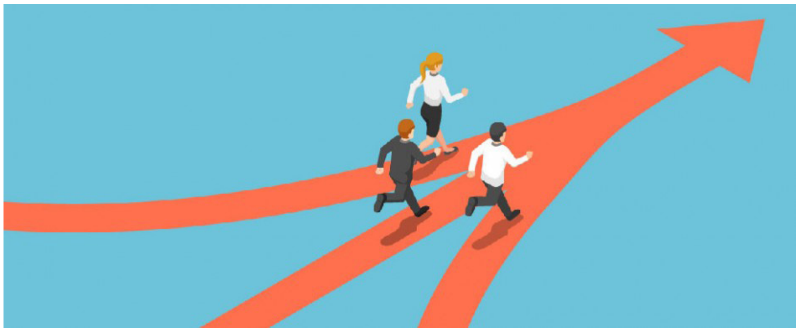
THREE ROUTES THAT CAN LEAD TO PROFITABLE AND SUCCESSFUL GROWTH.

Strategic planning always seems to come back to a question of how to grow a business profitably. Going from $50 million to $100 million seems like a linear equation; achieve $50 million more in sales and add the commensurate level of resources to achieve that revenue. If only it were that simple. A firm can certainly take on more projects and find more project managers and superintendents to handle that work — but the devil is in the details. What business infrastructure is required to supervise this added revenue? What is the availability of new work? What is the availability of resources to perform said work? More importantly, is this even the right way to grow the business in a smart, sustainable and profitable manner?

As many organizations seek to grow, the options are unfortunately limited. While the areas in which a firm might grow are infinite, the reality is that only three paths provide a logical way forward.

1. Acquisition

Plenty of firms seek a new market and see their quickest path to success in an existing entity. Coupled with a seemingly endless supply of firms with no succession plan it would appear there is a complement of potential candidates to be acquired. But if it were this simple, everyone would be doing it.



Mergers and acquisitions take time, patience, and a keen eye to ensure the seller is correct and the buyer has a real plan. Bolt on distorted perceptions of a firm's valuation and you can see why it's not as simple as throwing a house on the market.

However, if a buyer and seller can find a happy middle ground, there are a few important questions to ponder before moving forward:

» Who will lead the integration efforts after the sale? How will this new entity be incorporated into the family?
» How will the cultures mesh?
» What will keep the seller's talent in place post-acquisition?
» What is the plan to grow that new entity's business?

First, in what will seem to be a theme as you continue reading, the most important component will come down to people. An acquisition needs care, and thinking it will be business as usual after the sale is a recipe for failure. Secondly, plans should be not only be further refined but also integrated. Each stand-alone component or business unit should have a growth plan that can work both independently of the home office and also in concert with it.

2. Organic Growth

Many organizations look at acquisitions and see it as an unmitigated mess. It can be difficult to detangle all the minutia of the acquisition and grow into a new market from the ground floor. Instead, the company may look for opportunities for organic growth in the market. This is not necessarily an easier path to success, but it does allow for a fresh start as opposed to inheriting generational problems that may come with an acquisition. There are still questions that must be answered before moving forward with this approach:

» Who will lead this endeavor?

» Who are the current players in that market? What do you know about them? If you are entering a new market, how will you anticipate the competition's response?

» If you are entering a new niche/sector, how will the current players react?

» How will you measure success?

» Is your operational model leverageable?

It all comes back to people. So many firms want to grow but they also don't make talent development, as it relates to growth, a priority. If your firm has ambitious growth plans over the next 5 to 10 years, what aspect of your strategic plan aggressively addresses talent?

3. Current Wallet Expansion

The most obvious avenue for growth is simply maintaining the course while systematically adding volume in a controlled and disciplined fashion. It may not have the cachet of an acquisition or new city, but it does allow a firm to grow with lower risk. At least in theory. For instance, a firm doesn't simply add $50 million in revenue and not supplement the organization with new resources or levels of management. Adding five to 10 managers and five to 10 superintendents without commensurate changes to the support systems — people, information technology, support, etc. — must be done in such a way that neither overloads the team or the cost structure unrealistically. Here are some questions to consider:

» What is your firm's current market share? What is the opportunity based on the competitive landscape?

» What kept you from growing already?

» To grow, how will the structure of the firm need to change?

» What will keep the firm disciplined to grow within a reasonable constraint? Assuming a robust market exists, what will prevent the firm from growing too large, too quickly?

Many organizations see this as the lowest-risk strategy. But it requires balance to be effective. Do you build the internal infrastructure first and then secure the work or the opposite? Does the firm's overhead structure distort earnings and margins? Operating in this model is a little like driving a big rig with one foot on the gas and one on the brake. Disciplined focus is needed to protect the firm's interest over the long view.

Examine your growth options with an introspective view. Determine why your firm wants to grow and make sure you take a detailed approach to how it will grow. Each of these options have proven to be successful for many firms, but the truly superior organizations create a plan and work that plan with the same fervor with which they build their projects.

About the Author

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