BY MARK RICHARDSON, CR

Finding the Right Level of Growth

It has been said that if a business is not growing it is dying. In my experience, most remodelers agree. When I ask remodelers if they want to grow their business, whether their company is big or small, generally 95 percent will say yes. But when I follow up with a question about how they define growth, there are many different answers.

Some see growth as a simple added percentage to the top line or purely as a means to increase net profit, while others define it as the evolution of their product or service to the next level. Still others see growth in terms of creating opportunities for individual career advancement so they can retain key team members.

How we define growth can differ, but I believe that not growing is not an option. How fast a company grows depends on the owner's motivation (see "What Is Your Motivation," March 2014). For example, an owner who is interested mainly in ROI will define growth differently from one who is more intersted in company culture.

Regardless of your motivation, there are some common denominators for all. One that is relevant today is the rate of top line sales growth. What is the ideal rate of growth year over year? See if any of the following examples look familiar:

0-5 percent growth. Assuming a stable economy, this level of growth is extremely conservative. I would only recommend this modest growth plan if the business was a mess and you needed to do a lot of cleaning up before growing. Your biggest concern here is not with this year but with the market share you will lose in future years, and concerns about how your team feels about the status quo.

5-10 percent growth. This level of growth suggests the owner may be riding the brake and the gas pedal at the same time, something you wouldn't normally do while driving. This modest commitment to growth is positive, but not very aggressive. It might be the right cadence if you are introducing a new product or bringing on or replacing key team members, with a plan for a more aggressive target in the next year. But the risk is that it is not very exciting; and when your team is not very excited, they may not perform at their potential and the all-stars may feel frustrated.

10-20 percent growth. I consider this range of growth the sweet spot for most companies. It is what I would call aggressive but realistic. It's aggressive because you need a solid plan, a strong product, and a well-positioned team to achieve it. It's realistic because it takes into account the curve balls that are thrown at you throughout a typical year.

I like this growth rate because it can produce a good profit, but also because it allows your team to grow and advance in their careers—that helps you to retain talent.

20-30 percent growth. Many companies experienced this level of growth in 2013, and some in 2014. In both cases, however, the increase came on the heels of no-growth or low-growth years. This level of growth can be risky, and may not be as profitable as a 15-percent growth rate. (Think of it like running a car at 80 mph vs. 60 mph–which speed gets better mpg?) The keys to growing this much successfully are:

1) great market conditions
2) a few franchisee players on your team
3) a healthy business
4) lots of personal energy to invest

While I don't want to discourage this growth rate, I caution companies to question the assumptions underlying this plan. You might want to prepare a more conservative Plan B and have it ready to go if by midyear you are falling short.

More than 30 percent growth. This is very aggressive and very risky. I have seen businesses go under because, at this rate of growth profitability moves into future years, and they did not have the infrastructure to handle it. If you are targeting this rate of growth, I encourage you to seek a business coach or advisor to validate your plan and challenge your assumptions. Is your team equally committed to this level of growth? If not you will never get there. There are exceptions, but they are rare, so proceed with caution.

Growth shouldn't happen by accident. Your rate of growth should match your goals and your company's position.

One final check regardless of your growth plan is to review up to 10 years of company financial history as it relates to pace of growth. (The wonderful thing about history is that it does not lie to you and there are no emotions involved.) If your current plan aligns with historical data, you are probably good to go. If it is too far out of synch with what happened in the past, take a second look. If you decide to go with your plan anyway, have a Plan B ready in case you need to make a mid-course adjustment. **PR**

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