Creating a sustainable high growth business

Your ultimate guide to successful, proven business growth strategies

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BUSINESS SOLUTIONS WORLDWIDE

Introduction

Being at the helm of a fast growth business is an exhilarating experience. It is also one of the most exhausting and risky stages of the business development lifecycle.

At MGI we have worked with hundreds of high growth businesses helping them to navigate the obstacles, accelerate the opportunities and make the best decisions to continue on a sustainable growth path.

Over the years we have noticed that a number of the challenges and indeed opportunities that high growth business owners face are the same. However as the people that we work with are not usually seasoned CEOs, they often ‘don’t know what they don’t know’.

In this e-book we aim to share our tried and tested insights, developed over many years, to help you start making real progress in developing your growth business.

If you have any questions I invite you to get in contact through LinkedIn, email gfield@mgisq.com.au or via phone 3002 4800.

About Grant Field

Grant has 30 years’ experience working with in excess of 100 private and family-owned businesses across more than 20 industry sectors to find unique solutions to the diverse challenges they face.

Grant is a Fellow of the Institute of Chartered Accountants, an Accredited Mindshop Facilitator and a Graduate of the Australian Institute of Company Directors.

His expertise lies in business mentoring, improving the financial performance of clients’ businesses, strategy development, facilitating strategic workshops and driving company change, particular for high growth businesses.

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Creating a compelling vision

Creating a compelling vision

If you don’t have a burning passion forget it.

Most businesses start with a passion – a passion for success, a passion for doing things differently or a passion for creating a new experience but for many of us somewhere along the way that gets lost.

You need to rediscover your purpose and truly understanding why it is that your business exists if you want to build a growing, successful business. Here’s why.

Have you ever wondered what it is that makes one business flourish and another potter on in a hard-earned but stagnant existence?

I’ve discussed this with many of the high growth businesses that I coach and after much discussion we always come around to the same conclusion: every successful organisation we can name has a very certain and passionate purpose and a clear vision.

I don’t mean the text book statement of purpose that we all learnt about in our university days either.

Let me explain

Each great business that we could name understood exactly why they existed and could articulate what it was that made their teams turn up to work each morning.

For example:

- Oxfam exists to create a just world without poverty.
- TED’s purpose is to spread ideas.
- Virgin’s is to embrace the human spirit and let it fly.
- Temple and Webster exists to inspire people to live more beautifully and to make shopping for your home a pleasure.

These statements aren’t the voluminous, meaningless waffle that we were traditionally taught a statement of purpose should contain or that you so often see hanging on a company’s wall.

They are a clear one sentence statement that describes what it is that’s driving your business.

Creating your business vision

Understanding your why factor

I recently watched a [TED talk by expert Simon Sinek]() which explains why it is so important for a business to understand its purpose.

Sinek argued that people don’t buy what you do; they buy why you do it. Meaning they buy on emotion and then rationalise it with logic.

And yet most businesses focus their marketing communication on non-emotional things like facts and features as you can see in the advertisement from Dell below.

This is because most businesses know what they do but very few know why they do it.

So where does this leave you if you are like many of the business owners I meet and haven’t thought about the very reason your business exists?

Start by developing your vision

1) Review your why/purpose

Your why is the inherent driver for you and your business. It is not to make a profit. That is the outcome of doing what you do but it is not why you do what you do.

If you are struggling with clarifying ‘why’ your business exists consider using a mind mapping process to provide focus and clarity.

2) Use your purpose to help define your vision

The next step is to develop your vision. If your purpose talks to your heart, your vision talks to your brain. It describes the long-term desired change that results from your organisation’s work and provides a mandate that all work can be measured against.

This is your inspiration for rallying your troops.

Creating your business vision

In other words it captures exactly where you are heading to achieve your purpose.

For example:

- Temple and Webster's vision is to be Australia's most beautiful shopping experience for the home and the first place Australians turn to when shopping for their home.
- TED's vision is to find new ways of tackling tough global issues by leveraging media, technology, entrepreneurship, and most of all, ideas.

When developing your vision statement be prepared to make a number of revisions.

3) Use both your purpose and vision to guide everything you do

Your vision should set the direction for how you interact with staff, market to your customers and the criteria you use to make decisions.

How to transform your vision into action

Of course developing your vision is just the first step in creating a high growth business. In our next chapter we discuss how to turn your vision into action.

CHAPTER TWO

Turning your vision into action

Turning your vision into action

How can an inspirational line accelerate my growth?

Ok I hear you say, I have spent the last week racking my brain on the purpose and vision for my business and now I think I have finally made some progress.

But how can these inspirational one-liners help me take the next step on my high growth business journey.

The good news is that once you nail your 'why' it sets a clear path for developing the rest of your business strategy from your value proposition through to engagement with suppliers and your strategy for HR etc.

Last chapter we looked at some great company examples that had nailed their purpose and vision. So let's revisit one example to demonstrate this.

Temple and Webster

If you remember in the last chapter we highlighted Temple and Webster's vision: To be Australia's most beautiful shopping experience for the home and the first place Australians turn to when shopping for their home.

The founders of Temple and Webster had identified that this was an unmet need within the homeware market and so they set about creating an online business to fulfil this.

This clear vision became the catalyst for their pitch to prospective suppliers. It gave them direction for developing their brand, marketing and online platform. It guided their exceptional model for customer

service and continual efforts to delight their customer.

Being able to communicate this vision also helped them to attract a team that believed in what they were trying to do and to motivate them to create a business that was exactly what they had set out to build.

Turning your vision into action

Where to start?

Step 1 : Develop your value proposition

Once you know your purpose and have clarity around your vision, the next step is to create your value proposition.

Your value proposition is how you communicate your point of difference in your marketing. It is a short statement that clearly explains how you solve your customer's problems, summarising your purpose and vision as well as highlighting the benefits that you offer, why you are uniquely different to competitors and any key visuals that help to communicate this message.

If you have a very clear purpose and vision you should be able to develop a value proposition that you can communicate to the market without difficulty.

For example….

Temple and Webster's value proposition is: 'Beautiful homeware beautifully priced'

What is the company selling: homeware

What is the benefit of using it: Beautiful collections at beautiful prices

Who is the target customer: High income females looking for beautiful homeware

What makes the offering different from competitors: The logo, look and feel of the website and photos all portray an image of beautiful trendy homeware that sets it apart from its competitors.

It also provides ideas for how to use their products in the beautiful design of your home.

Turning your vision into action

It is important that you are able to articulate your value proposition in a clear and concise manner and you communicate this with every interaction with your customer.

Remember – customers buy on emotion and justify on logic. Research shows that you have between 5 to 30 seconds to hold the attention of a new prospect. If you can't explain your value in less than 30 seconds, you're losing customers.

Step 2 – Develop the strategy to achieve your vision

To help you translate your vision into your business strategy, at MGI we suggest using the **now, where, how process.**

Firstly review where you are at now. Undertaking a strategic SWOT analysis may help you achieve this.

Next you want to look at where you want to be in the next 6 months, 12 months, 2 years – however far out you want to work.

Finally, you need to detail the key actions you need to undertake to get your business from where you are now to where you want it to be in the future. After all, vision without action is just a daydream.

Why it's important to follow this process?

It may be tempting to go straight from looking at where your business is now to how you are going to address any issues or take advantage of any opportunities that arise.

However, resist the temptation to jump straight to the action plan as this can lead to a disconnect between the prioritisation of key actions and the end goal you are trying to achieve.

Turning your vision into action

Step 3 - How to turn strategy into action

Strategy guru Sun Tzu once said ‘Weak leadership will destroy the finest strategy while forceful execution of even a poor strategy can often bring about victory’.

Clearly in Sun Tzu’s mind, and in the mind of many other business strategists that have followed him, it’s the execution that trumps strategy.

For this reason, at MGI we usually recommend capturing your strategy in a one page business plan that is relatively easy to develop, clearly defines key accountabilities and is very easy to update as you progress or if a change of direction is required.

To develop your one page plan you need to:

a) Re-visit your now, where, how analysis and pick 3 – 5 key strategies that you would like to focus on.

   For example if you are trying to grow a $1 million business one strategy might be sales growth.

b) For each of these strategies list the key actions that need to be undertaken to achieve the strategy, by whom and by when.

“

‘Weak leadership will destroy the finest strategy while forceful execution of even a poor strategy can often bring about victory’

Sun Tzu, The Art of War

Creating your business vision

Step 4: Enforce accountability - a plan in itself doesn’t equate to action

Unless you regularly revisit your one page plan and hold the people with key undertakings accountable for delivery, it is unlikely that you will achieve progress.

Our clients who have been most successful in executing their strategies have integrated their one page plan into their regular meetings and performance reviews to track progress. Many clients have also found it useful to engage one of our business coaches to keep them focused and on track.

How to build a team that achieves exceptional results

Implementing your one page plan will help you to start ticking off key actions required to achieve your vision.

However as a business owner of a high growth company you need to start working on your business not in it. And that means there will come a time where you will need to build a team of exceptional people around you who will take ownership of your vision and strategy and will help you to achieve your vision.

In the next chapter we will explore how some leaders have built teams that have enabled them to achieve far more than what most other companies have been able to achieve collectively.

CHAPTER THREE

How to ignite your workforce

How to ignite your workforce

The most successful businesses of today are owned by people who are working on their business not in them.

Think of Richard Branson, one of the best known entrepreneurs in the world. If you have ever seen one of his leadership interviews you would have heard him say that his Virgin empire can and will go on without him. Equally McDonalds and Apple have continued to flourish even when Ray Kroc and Steve Jobs are no longer at the helm.

Why is this? It's because their founders never worked in the business they worked on it.

A question that I often get asked by founders of high growth businesses is if they have to step away from operating in their business, how can they build a team that will hold true to their vision and help create the business that is exactly what they set out to build?

It's a good question. After all when you hire in support you are hiring human beings and it's very hard to get human beings to do what you want.

I recently had the pleasure of attending an

event by Dan Barnett where he introduced a concept called the Results Force.

I think this concept sheds light on why some leaders like Steve Jobs and Richard Branson are able to create high performing teams that can achieve results that the rest of us cannot.

Effective leadership

Just like Simon Sinek's theory which we discussed in Chapter One the Results Force acknowledges that it is beliefs that drive behaviours, which in turn drive results.

How to ignite your workforce

The problem is that most CEO's/business owners talk about results because that's what they care about.

Barnett argues that effective leadership begins with focusing your internal communications on a company's beliefs and where you are going.

You also need to make it explicitly clear what behaviours your company/people need to follow to get there.

If you do this, according to Barnett, the results will follow.

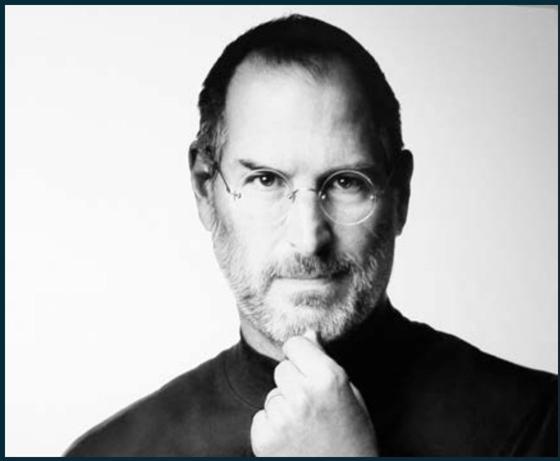
Example: Steve Jobs

If you look at Steve Jobs' leadership this is exactly how he operated. At Apple, Steve Jobs said we believe that we are going to put a dent in the world and we are going to change the way the world operates in amazing ways.

Jobs said we will do this by following these prime directives (behaviours):

- We focus on design
- We simplify, we humanise technology
- We build extraordinary products
- We don't sell cheap
- We are family orientated

He then went further and said if you don't believe this or don't want to follow these directives that's ok; just don't come to work for Apple.



Of course Apple has gone on to produce one of the most high-performing teams ever. Based on accounts from people who worked at Apple with Steve Jobs they say 'we did what we did not because we wanted to please Steve Jobs but because we wanted to put a dent in the world and we believed that Job's prime directives would achieve that'.

How to ignite your workforce

How to lead culture?

Another word for a company's beliefs and values is its culture. Put into action, culture is 'the way we do things around here'. So if culture is so fundamentally important to the development of successful organisational teams how do you lead culture?

Step one – Find out what your customers value

There is no point building your culture around something that your customers don't value. If you don't know what it is that your customers value find out.

Step two – Develop your culture
Define what you believe and what are the behaviours that will help you achieve these beliefs.

Barnett also challenges leaders to understand their make or break, which is the one thing that must be done extraordinarily well to achieve your vision, and to take the lead on this.

(In the Apple example above the make or break was a focus on design).

Once you have defined these behaviours make sure they are reflected in how you hire as well as how you reward and promote your people.

Hiring

Make sure that you only hire people who fit your culture and share the beliefs of your organisation.

One strategy to help you determine this is to use behavioural based interview questions that reflect the key behaviours of your organisation.

Click here to read a good resource on example behavioural based interview questions.

How to ignite your workforce

Reward

Make sure your desired behaviours are reflected in your bonus system and other reward systems. For instance if you say that you value integrity but you reward your people only based on their financial performance you are unlikely to see integrity embraced in the culture of your organisation.

When looking at your rewards system consider how you can reward the desired behaviours through offering autonomy, mastery and purpose. If you haven't watched Dan Pink's The Puzzle of Motivation TED talk, you might like to watch it.

Termination

Finally people will not take your culture seriously if you make exceptions. Even if someone is great at their job, if they don't fit your culture you need to show them the door.

Step three – communicate important goals

While the focus of your internal communications is on beliefs and behaviours you still need to share your important business goals and engage your team in achieving this. So if your business plan is to increase your market share by 20% over the next 12 months make sure everyone in your team knows this, understands their role in achieving this and is informed of progress.

Where next?

With a well-defined strategy and a highly motivated team you should be well on your way to developing your high growth business.

However how are you going to fund ongoing growth opportunities? Next chapter we discuss funding options available and pros and cons of each.

CHAPTER FOUR

How to fund a growing business

How to fund a growing business

Without the required funding your growth journey isn't going to take flight.

No matter how great your product or service is, if you don't have the required funding you won't get far.

Richard Branson once famously said 'there almost wasn't a virgin airline' when shortly after Virgin Airlines launched their bank threatened to close them down if they didn't repay their loan within 2 days.

Branson's lesson from the experience is not to think of yourself as beholden to your bank. I would encourage all businesses to think more broadly on the options available to them to fund their growth.

Here is an overview of the different options available for funding and the pros and cons for each.

Personal loan

This is where many micro businesses start. Why? It's easy to obtain and, provided the required loan is small, it can often be a great way to fund initial projects such as product development, launching a website and marketing.

If you believe in your vision it also makes sense that you are willing to put some of your own money on the table.

However this approach comes with personal risk as it's often attained by borrowing against equity in a house, seeking a bank loan or credit-card line of credit.

Friends and Family

Friends and family are also a popular way to round up initial capital. However, just like when you fund the costs yourself, this approach risks personal relationships should your venture fail.

How to fund a growing business

1

Government grants

If you are eligible, government grants can be a great way to generate cash for your business with minimal risk. However, typically the application can be lengthy and complicated.

If you are interested in pursuing government grants, websites such as Australiangovernmentgrants.org and startupqld.org can help make it easier. MGI can also help you to assess your eligibility for various grants and tax offsets.

Government funded innovation centres that you should also look into include ilab, QUT Creative Enterprise Australia, and Innovation Centre, Sunshine Coast. The City of Gold Coast also provides support to start-ups and growing businesses. It is also worth considering R&D Tax Offsets to assist with the cost of innovation.

2

Small business loan

There is a common perception that securing a small business loan can be difficult. To be fair this is often true, particularly in your early days or if you don’t have a line of credit. However, there are ways to increase your appeal to the banks. Most importantly you need a solid business plan, profitability projections and some of your own money on the table.

Using your accountant to approach the bank can be beneficial. If you can convince the bank that (together with your accountant) you have your finger on the pulse of your business then you’re a long way there.

3

Negotiating an advance from a strategic partner or customer

If you can find a major customer, or a complimentary business, who sees immense value in your idea you may be able to negotiate for them to give you an advance to complete your development.

How to fund a growing business

4

Debtor funding or financing

Traditionally thought of as a lender of last resort, debtor finance companies should not be overlooked as a source of funding for growing businesses.

Provided the business is profitable, debtor finance allows you to borrow against the debtor book.

There are a few drawbacks associated with using debtor funding, however when managed correctly these can be overcome and I have certainly seen debtor funding used to beneficial effect by business owners who had little or no 'bricks and mortar' security.

Some debtor funding companies will require the arrangement to be disclosed to the customer and outstanding debts are handled by the debtor finance company.

This needs to be handled with care and communicated as a good news story (i.e. 'the business is growing and needs cash to fund that growth' and 'the business has outsourced its debtor management function thereby enabling the owner to focus on business growth').

Debtor finance is also generally more expensive because of the inherent risk but if it's your only source of funding and if you're making a return on capital from your business which is greater than the cost of the debtor finance, who cares.

Using your debtor book to fund your growth makes sense. As your business grows, you can borrow more to fund that growth. However, this form of funding is not perfect, so speak to your accountant or business adviser before heading down this path.

How to fund a growing business

5

Angel investors

Angel investors offer another opportunity to fund your business. There are a number of angel investor groups in most cities and a number of angel investors who operate outside of a business angel network.

6

Venture capital

If you are a well-established company looking to raise a serious amount of capital, venture capital firms may be an appealing option. Because of the size of funding provided by venture capital firms, and the high-risk nature of the loan, venture capital funding comes with a number of cons. Generally VC partners will want to be involved at the board level. Sometimes they may also require more than a 50% stake in your company, which means you could lose management control. Ultimately the decision to pursue venture capital should depend on whether it will open up much greater opportunities. In other words, are you better off with 50% of something or 100% of nothing?

7

Out of the box ideas

Sometimes it pays to think outside the box. Airbnb's founders got some early funding by selling Obama O's and Captain McCain cereal during the McCain-Obama election campaign. It's not orthodox but it did get them a foot in the door.

Often funding a growing business can involve using a combination of the above strategies.

How to fund a growing business

Tips for securing funding

1. Make sure you have a good product and a good model. Prove your product-market fit before raising money.

2. Ensure you have a solid business plan that gives the bank/potential investors a clear idea of what to expect in terms of money, competition and what you intend to do with their capital.

3. Find an investor you connect with and who has goals that align with where you want to take your company.

4. Investors will have been pitched to by hundreds of entrepreneurs. Understand your investors' motivations and criteria and find a way to excite them.

5. Be prepared. Have answers for any questions. Show you have done your due diligence by having a solution to any problem that could occur.

6. Make sure you have every aspect of your company analysed and committed to memory. Know your working capital burn rate, free cash flow and return on capital employed (ROCE).

7. Showcase your passion, charisma and brutal determination. Remember, your funder is backing you just as much as your business model so you need to show your personal qualities.

8. Be persistent and show progression. Finding an investor is a competitive gig. Pitch where you can, network with investors and make sure when you are pitching to someone you have spoken to before that you show progression with what you have done since you last saw them.

Securing funding for your business can be a daunting challenge. But it's a reality you will have to face at some point on your growth journey. If there is one takeaway it should be that when it comes to seeking finance for your business you need to understand what you are and are not willing to accept, be prepared, be persistent and think creatively.

Next chapter we look at another funding issue facing high growth businesses: how to keep a positive cash flow through times of exponential growth.

CHAPTER FIVE

Beware too much growth can be catastrophic

Beware too much growth can be catastrophic

It may seem like an oxymoron but too much growth can become the downfall of an organisation.

A business turning over millions of dollars should not go broke. And yet they do time after time.

Think of recent companies that have collapsed:

- Dick Smith, a company turning over $1.3 billion and with profits of $37m in 2015
- Laura Ashley, whose Australian stores generated $42 million in annual sales

'How could this be?' I hear you ask. '*Why is it that despite their strong potential they end up closing their doors?'*

Fundamentally, there is only one reason that businesses go broke – they run out of cash.

So how do businesses (even listed ones) run out of cash and what can you do to make sure it doesn't happen in your business?

There are three basic reasons business run out of cash

1. The first reason is they're not profitable.

They don't have a cash flow problem; they've got a profitability problem. In other words, the lack of cash flow is a symptom of poor profitability (or even losses). If you have a profitability problem, unless you fix your business model and restore profitability, you'll never get cash flow under control.

2. The second is that they use short-term working capital to fund the acquisition of long term assets

In other words, they use their working capital (short term funding) to purchase plant and equipment or property (long term assets). If your business is growing rapidly, this is a big no, no. You'll need that working capital to fund your growth, particularly larger inventory holdings.

Beware too much growth can be catastrophic

In most cases, this issue can be fixed by a sale and lease back of the assets (assuming funding is available). But the key is never to use your working capital to acquire long term assets unless you're absolutely sure you have significant excess and know that you won't need it in the near future.

3. The third reason that businesses run out of cash is that they grow too fast
Yes, businesses can grow too fast and it is a situation we see all too often.

Make no mistake, a fast growing business is potentially in danger territory, particularly if it doesn't have access to an endless supply of funds – and which businesses have that luxury?

For many fast growing businesses, this means holding more and more inventory. As the business (and sales) grows, more of the profits are required to be used to invest in more and more inventory to stock more and more stores. If you're in a business where margins are tight – whammo! - you have lower profits to fund ever increasing inventory. Should inventory turnover slow you could also be in serious trouble.

If you also happen to have a business where you give credit terms to your customers, then not only do you have a build-up of inventory, but you also have a build-up of debtors. These have to be funded from somewhere. Unless the business is highly profitable, the profit alone may not be enough to fund that growth. This invariably means going to your friendly banker – and as appears to be the case with Dick Smith – there is a limit to which banks will be prepared to fund your growth.

Beware too much growth can be catastrophic

How to avoid running into a cash flow problem?

There are three key measures every business should be checking on a regular basis, but particularly fast growing businesses, to make sure that they have a sound cash position. If you don't currently know these you're flying blind. Get a new accounts team!

Your Free Cash Flow
Your Free Cash Flow (or available cash) is simply that. It is the amount of cash you have left out of profit after funding the increase in size of your business. If you're not measuring and monitoring this then you're flying blind.

Your Working Capital Burn Rate
This is simply the amount of working capital (debtors plus stock less creditors) as a percentage of sales. If this is (say) 25%, then you know that for every additional $1m in sales, you're going to need $250k in working capital to fund that growth.

Your Sustainable Growth Rate
This is simply the rate of growth the company can sustain without adversely affecting its proportion of debt to equity funding. It's called "sustainable growth rate" for a reason.

There is a saying that goes *'turnover is vanity, profit is sanity but cash flow is reality.'* We have worked with countless high growth businesses who have been stunned to learn that their financial position is unsound despite their growing sales.

It might sound crazy but at times it is essential to reign in your growth to ensure a sustainable journey in the long run. It might be painful to turn down opportunities at the time but trust me, you will be thankful when you come out with a sound business in the end.

The rest of your growth journey

And so the journey begins…

From our experience businesses that nail all of the key elements covered on this e-book generally enjoy a sustainable and continued growth journey. That's not to say that there won't be other challenges that crop up along the way – from HR, to managing your systems and processes to continuing to build your customer base; there's always something new to learn when you are the owner of a high growth business.

And then there is the difference between knowing something and managing to put it into action in your business.

That's where we come in. MGI works with business owners coaching and mentoring them to be the best leaders that they can and to accelerate their sustainable growth journey. We also review their financial health on a regular basis making sure that they capitalise on all opportunities and are not operating blind to any impending risk.

A number of our clients have said they find it lonely at the top and exhausting when the buck always stops with them. Having someone to brainstorm ideas with, provide insights and watch for potential performance issues can be invaluable. For us it is an absolute pleasure to work alongside a high growth business and see a business owner's aspirations come to fruition.

We invite you to read more about the high growth clients we have helped.

If you are interested in finding out more about our business coaching and consulting services or accounting services, click here to register for complimentary discovery consultation.

For now all the best on your growth journey.

Grant Field
Partner MGI South Queensland

Business Growth Coach

MGI works with business owners coaching and mentoring them to be the best leaders and business owners they can. Talk to us today about how we can help accelerate your business growth journey.

Book your free exploratory session