



Achieving Accelerated Growth With Sustained Profitability®

The secret to *Achieving Accelerated Growth With Sustained Profitability®* is to reverse the phrase. First, a business must be profitable, *and* it must be able to sustain that profitability. Then, various growth strategies can be explored and accelerated pacing considered last.

Each of us probably know several Presidents or CEOs who have embraced exciting growth strategies and stepped on the accelerator before they had accomplished consistent profitability...only to end up facing bankruptcy or reorganization. You don't want to be like the Boston Market Restaurant chain in the late 1990s. They had what seemed to be a good basic idea. But they expanded too rapidly (before they had resilient profitability) and ended up over \$50 million in debt. Replicating a fragile model through geographic expansion, franchising, roll ups, etc. usually compounds the underlying problems. It is analogous to trying to save a failing marriage by having children.

The secret is to reverse the phrase.

Know What Drives Your Profitability

It's important to ask yourself what drives the profitability of your business. So many business leaders make the understandable error of concluding that the answer to this question is obvious. "We're a professional service firm. We know what to do when they want it at the price they want to pay." But if that was all there was to it, professional service firms would all be the same. There would be no reason to select one over another. They would all generate the same level of profit. And we know that just isn't true.

Imagine that you are the President of Company A, which is a regional public relations firm. When you look deeper, you discover that your real profits are driven by the large accounts where the clients have wanted your firm to handle everything from crisis communication to general image campaigns to special events. Like other public relations firms, a portion of your overall volume comes from projects,

and you do the usual mix of media coverage, newsletters, etc.

But do you know why some clients want you to handle everything? Is it the personalities of your account executives? Is it the speed and accuracy of your crisis work? Is there something about the clients that could help you know which companies might be more receptive to turning all of their public relations work over to a single firm? You wouldn't want to take this type of competitive advantage for granted because it can be very fragile.

Now imagine that one of your competitors, Company B, is winning more and more business on price and a second competitor, Company C, wins some of the large accounts you wanted due to their name recognition and extensive industry experience.

Continuing the hypothetical example, you conclude that you don't really know what the most important elements are behind the customers' decision to invite you to handle more. So you ask an outside research firm to conduct a customer survey or you convene a customer advisory council. You learn that a few of your account managers are the key to customer loyalty for the larger accounts. But you'll have to go further than that. Do you really know what those account managers do that is so different?

Know How to Sustain Your Profitability

Unfortunately, the profitability of many professional service firms is fragile, because it is impacted by the economy, changes in the leadership of client companies, and consolidation within most of the professions. To sustain your profitability, you may need to solidify your approaches to recruitment, training, compensation, and retention of account managers and associates. You'll be ready to grow if the important elements of your service are not too dependent on a few people and their approach can be taught, measured, and replicated.

Company B may achieve resilience by simplifying procedures, controlling costs, and selling similar projects to several clients. To build in resilience, Company C may choose to specialize in a few industries.

Achieving Accelerated Growth With Sustained Profitability *cont.*

The reality of professional service firms is that all three companies will need to take multiple steps to build resilience for their profitability. All three companies will want to strengthen their recruitment, training, compensation, retention, cost controls, and industry knowledge. But it becomes a matter of emphasis. When you are busy trying to make 20 improvements all at the same time, everything seems important so nothing is important. In the midst of all of your improvement efforts, do you know which steps absolutely positively must be accomplished because they help you sustain your profits?

Growth Strategies

Once you are confident that your profitability is resilient, it's time to consider growth strategies like:

improved marketing	specialization	strategic alliances	improved quality
diversification	acquisition	improved service	franchising
merger	new products	licensing	increased control over channels of distribution
new markets	joint ventures	geographic expansion	roll up

Ironically, all three companies in our hypothetical example might be interested when a fourth competitor decides to sell. You might want to hire the key people if they operate the same way your company does or if the employees seem bright and receptive to change. And Companies B and C could potentially be interested in taking over different accounts from that same business. Your strategic alliances might be with other vendors who serve the types of companies you seek as clients. Company B may prefer strategic alliances with other public relations firms that provide specialized services. Company C may elect to further align themselves with target industries through cooperative advertising or sponsorships.

Your geographic expansion may be driven by the recruitment of rainmakers within new markets. Company B may expand by replicating the model of the first location over and over again. Company C

will probably prefer to utilize large regional offices serving smaller sales offices.

As you can see, the best growth strategy for one service firm is not necessarily the best for another.

Accelerating

Once you:

- know what drives your profitability,
- have instituted systems that make your company resilient and help you sustain that profitability,
- have selected growth strategies that match,
- it is time to consider picking up the pace.

Sometimes, it is important to move quickly. If you move too slowly you become vulnerable to the interference of well-financed competition. If availability of money is all that stops you from accelerating, remember that growth financing is easier to obtain if you have a profitable model that can be replicated. Having sustained profitability will be particularly important if/when you are inclined to using growth strategies that have acceleration built in (e.g. roll ups).

Aldonna Ambler, CMC, CSP, has earned the right to be known as The Growth Strategist™. She has won over two dozen national and state level "entrepreneur of the year" awards from INC magazine, the National Association of Women Business Owners, Office Depot, and others. More importantly, her clients get on and stay on the published lists of the country's fastest growing privately held companies and attract growth financing. Aldonna hosts a weekly peer-to-peer-to-peer on line radio show (aptly titled The Growth Strategist™) that features lively interviews with Presidents/CEOs of midsized companies (\$20 – 200 Mil/yr) sharing practical tips on the growth strategy of the week. For more information, please visit www.TheGrowthStrategist.com.