3 Essential Factors for Growth: The Goldilocks Approach

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Have you ever noticed how tech start-ups or venture capital-backed businesses can seemingly spend money without batting an eye? While they're running the show using someone else's money, typically the opposite to privately owned businesses, there are lessons to take away from this.

To be clear, we're not advocating reckless spending. But this introduces a principle for growth that we like to call the 'Goldilocks Approach'. Just like in the classic tale, the secret to growth lies in finding the balance that's not too fast, not too slow, but just right.

Understanding the Financial Stakes

Owners of privately run businesses have a unique relationship with their finances. After all, it's their personal assets on the line – their money, their debt, their security. If the business doesn't work out, they're not just losing money, but potentially much more.

Nevertheless, observing the habits of venture-backed start-ups can provide valuable insights. These enterprises primarily use other people's money to fuel their businesses and are encouraged to invest for rocket-like growth. While this approach could lead to wasteful spending, it could also set the stage for unprecedented growth.

The Goldilocks Approach: Striking the Perfect Balance for Growth

The secret to successful business growth isn't as simple as spending more money or taking on more risk. Instead, the goal is to not be too hot (fast and reckless) or too cold (slow and missing out on opportunities), but just right.

To achieve this, we focus on three key factors that make up this Goldilocks approach to successful growth: people, breakeven, and cash. For maximum impact, these should be considered concurrently.

1. Getting the Right People for the Right Job

In your pursuit of growth, it's common for business owners or senior leaders to find themselves tangled in operational matters that they shouldn't be handling. This not only diverts their focus from strategic planning and future opportunities, but also restricts the business's potential for growth.

The solution? Delegate. Empower someone else to handle those day-to-day tasks, freeing up your time to focus on the bigger picture.

Secondly, don't be afraid to bring more people into your business, particularly in sales. Many privately-owned businesses hesitate to recruit new salespeople out of fear of potential failure, even though previous hires have been successful. If you set your new hires up for success, don't hold back on expanding your team.

> *Action Tip: Look at your calendar or to do list and ask yourself, 'What tasks am I currently doing that could be done by someone else?' Consider who these could be delegated to, and get these jobs off your plate.*

2. Understanding Your Breakeven

Understanding your breakeven point – or the level of revenue that covers all expenses, from overheads to salaries – is crucial for business growth.

Often, businesses underestimate how much they could invest in growth while still maintaining profitability. After calculating potential investments, many of our clients have found that their current sales exceed the new breakeven point. This perspective shift can reduce the perceived risk associated with investing in growth, minimising a 'too slow' mindset around growth. And remember, if the investments aren't yielding the expected return, it's always possible to reassess or stop them.

> *Action Tip: Ensure you know your business' breakeven number, and factor in the return on investment especially when considering hiring new staff.*

3. The Role of Cash

Lastly, cash management plays a crucial role in your business's growth trajectory. In privately-run businesses, the financial stakes are personal, with owners often investing their own money.

However, owning your own business is also an incredible investment opportunity. If ou have available resources, reinvesting cash into your business can be a powerful vehicle for growth, provided there's a well-planned strategy for a return on investment.

> *Action Tip:* *Don't be afraid to reinvest cash into your business, which is one the greatest investment opportunities you could ever have.*

Conclusion

Following the Goldilocks approach means understanding you don't need to spend money like it's not yours, but you also don't need to hoard your cash. It's about paying attention to the people in your organisation, understanding your breakeven point, and not being afraid to reinvest your cash.

This approach strikes a balance between prudence and risk, and is what ultimately helps you navigate a path to 'just right' growth.
