



Managing Growth in an Upward-Moving Economy

There's an overall increase in economic activity, but reality on the ground is more complicated.

As the economy continues to improve, some manufacturing sectors are growing, others are sluggish. Productivity and hiring have increased in recent months, but the latter hasn't matched the former. That means orders are picking up, but companies — until they're sure the growth is sustainable — are hesitant to build their workforces too quickly.

The Standard Gap

This gap is well-established. Business is, by nature, conservative, a critical survival trait most of the time. But it has historically delayed decisions that must be made when the economy changes. The risk of delay, of course, is that a firm will be unable to meet rising demand.

Above all, a company facing growth needs a realistic forecast of its cash position. Spending will climb; so will receivables. Inventory will expand, particularly if your customers can dictate just-in-time requirements but you can't. This is not the time to go cash-poor.

Fine tune your receivables. Invoice quickly and be proactive. Routine, friendly calls on 30-day bills can head off problems. And remember, unless quick-pay discounts are offered, vendor payables amount to free financing. Use it to the point you can without damaging a relationship.

Proactive Credit Management

Don't neglect your lines of credit. The price of money is still

low, and borrowing to finance growth can make sense — if your receivables and payables are both growing, and you can't stretch your vendors further. But even if you absolutely *need* to buy more stamping presses tomorrow, don't expect a bank to fix things overnight.

Successful growth also requires full and open communication between marketing and accounting departments. Accurate cash and P&L forecasts are possible only with realistic input from those pushing the goods.

Both departments are capable of Pollyanna optimism or sad-sack pessimism. And though an unrealistically low sales projection may appear to lead to a pleasant surprise — higher-than-expected sales — these will have come at the expense of cash and production planning.

Accurate Information Throughout

This need for objective, accurate information must be communicated consistently throughout the organization. If current systems aren't up to the task, a company must find other ways. Pricy enterprise resource planning (ERP) tools aren't the only resources out there.

Finally, be sure sales efforts are aligned closely to your goals. Salesmen should sell what you want to make, and promise delivery only when you can fulfill it.

Businesses haven't had to deal with an upward-moving economy for a while, and how soon we forget. Don't be caught unawares. Figure out who your prospects in your niche and industry are, and then assemble the cash and human resources your production needs require.

In a growing economy, will you be able to match production with marketing success? Our firm can help you get into position. If you'd like to talk about it, please give us a call.