PEOPLE
STRATEGY
EXECUTION
CASH

FOUR
DECISIONS

The 4 Decisions

1. PEOPLE
2. STRATEGY
3. EXECUTION
4. CASH

Decisions equal success – and there are four decisions, in growing your business, that you must get right or risk leaving significant revenues, profits, and time on the table. These four decisions: People, Strategy, Execution, and Cash.

Even though most growth firms face continual challenges in all four areas, at any one time the challenges in one of these areas overshadows the rest. Therefore, your first decision is to choose which one of the four to focus on next.

Over the last six months, we surveyed 1300 executives of growth firms across five major regions of the world to see which one of the four decisions they most needed to focus on next. What we found were patterns aligned with the opportunities and challenges of the region which I'll share towards the end of this column.

But first, let me provide some guidance on the four decisions and a link to four one-page tools that will help you make the right decisions for your business.

Verne Harnish "Growth Guy"
CEO, Gazelles

1 PEOPLE Decisions

Focus on getting the right people doing the right things with clear accountabilities and metrics.

People challenges impact your happiness and can be either a source of energy or an emotional drain. People issues can include conflicts with a partner, a customer with too large a piece of your business, a supplier delaying your success, a key employee or two that's disrupting the rest of the organization's effectiveness, or challenges at home. Or you might simply lack enough employees to serve your customers, though I caution executives to avoid tossing employees at problems.

Until you settle these relationship issues, they'll continue to consume a tremendous amount of emotional energy, making it difficult to focus on the other three main decisions. Focus on getting the right people doing the right things with clear accountabilities and metrics.

Gazelles has a **one-page "People" tool** that will help you sort out these accountabilities and metrics..

2 STRATEGY Decisions

If revenue is not growing as quickly as you like, then it's time to re-examine your strategy.

Strategy challenges are indicated by a slowing in top line revenue growth. If revenue is not growing as quickly as you like, then it's time to re-examine your strategy i.e. what you're selling to whom. It's important to have a concise articulation of that strategy so you can get everyone aligned and on the same page without wasting sales or operational energies on activities not useful to the business.

Jim Collins, author of *Good to Great*, calls this precisely articulated strategy a company's "hedgehog." Alan Rudy, founder of growth company incubator Into Great, calls it the "ping" of the business. Others call it a unique selling proposition (USP), differential advantage, or brand promise. Whatever you choose to call it, you know you've nailed it if revenues are growing as rapidly as you want.

Turbulent economic times tend to expose weak strategies which are why we're seeing many companies re-examining their business models.

Gazelles has a **One-Page Strategic Planning document** that help you get everyone on the same page...

3 EXECUTION Decisions

By simply tightening up your execution habits, you can dramatically improve gross margins and profitability while reducing the time it takes for everyone to complete their work?

Execution challenges surface when your increasing revenues are not generating increasing profits. I've seen many firms triple their revenue, because they have capitalized on a differential advantage, only to see their profitability drop because of the sloppiness of their execution.

The other indication of poor execution is pure hours spent delivering your products or services. When execution is haphazard, the organization has to rely on the "heroics" of their people putting in incredible hours to just keep the wheels from falling off the organization. By simply tightening up your execution habits, you can dramatically improve gross margins and profitability while reducing the time it takes for everyone to complete their work.

Gazelles has a **one-page Execution Checklist** of ten habits that will reduce by up to 90% the time it takes you to manage the business, freeing up the leadership to spend more time on market-facing activities.

4 CASH Decisions

The first law of entrepreneurial gravity is "Growth Sucks Cash".

And the last challenge is Cash. The first law of entrepreneurial gravity is "Growth Sucks Cash." We encourage companies to calculate their Cash Conversion Cycle (CCC) which measures companywide how long it takes between when you spend a dollar (marketing, design, rent, wages, etc.) until you get that dollar back.

In the early days of Dell, the CCC was running 63 days and caused Michael to almost run out of cash. By focusing on decreasing this cycle, today they are running close to minus 35 days. This means they generate more cash the faster they grow, which is why they have over $9 billion in the bank, up from $6 billion when they got in trouble. We believe all growth firms can accomplish this or at least dramatically improve their CCC giving them sufficient internal cash to fuel their growth.

I suggest executives read Neil Churchill's famous *Harvard Business Review* article entitled "How Fast Can Your Company Afford to Grow" which provides the formulas for calculating your cash conversion cycle.

And Gazelles has a **one-page Cash tool** which outlines the cash cycle and helps you for work through concrete ways to double operating cash flow in the next twelve months.

YOUR DECISION

Now it's time to choose. Which of the four will be your primary focus?

In comparing North America with Australia, China, Dubai, and India what we found was a distinct difference in focus between developed and developing regions. Clearly the firms in the developed nations were most focused on the need to accelerate top line growth and thus chose strategy almost two to one over people issues. In turn, the firms in the developing nations drastically need qualified people and management talent to keep up with the growth they've been experiencing.

What was consistent among a third of the firms across all regions was a need to focus on execution. Many growth firms have a reasonably focused strategy and dedicated people. However, profitability isn't where it needs to be and the people are working long hours to make up for the sloppy and nonexistent processes indicative of small to mid-market companies.

Interestingly, cash, though not a dominate issue within any of the regions (might be a different story as of the publication of this column, it was chosen by twice as many firms in China over the rest of the regions (10% vs. 5% of respondents). When I probed why, it was more an issue of needing additional cash to take advantage of the myriad of opportunities Chinese firms are finding to grow and make acquisitions.

Through **Gazelles' executive education, coaching, and technology** platform we can help you get these four decisions right as you take advantage of this economic downturn to grab market share and shore up your market dominance.

1 PEOPLE

2 STRATEGY

3 EXECUTION

4 CASH

Gazelles

GROWING LEADERS, GROWING COMPANIES