

Too Fast, Too Furious Growth:

Navigating the financial pitfalls of rapid growth

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**Tactical Skills
for the Growing Business**

About me....



Phase 1: Launch-sales are low but slowly increasing

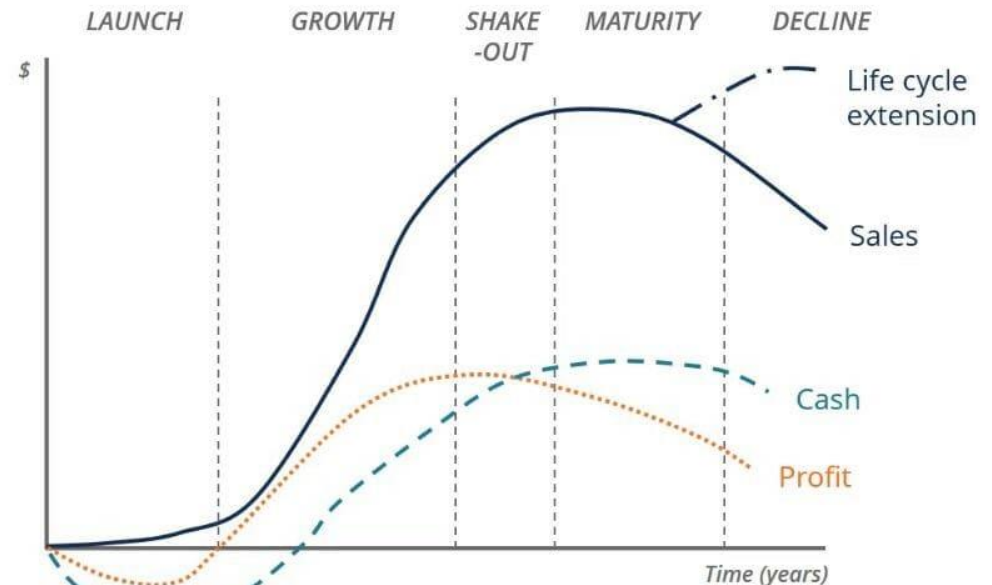
Phase 2: Growth-companies experience rapid sales growth

Phase 3: Shake-Out-Sales peak during this phase

Phase 4: Maturity-sales begin to slowly decrease

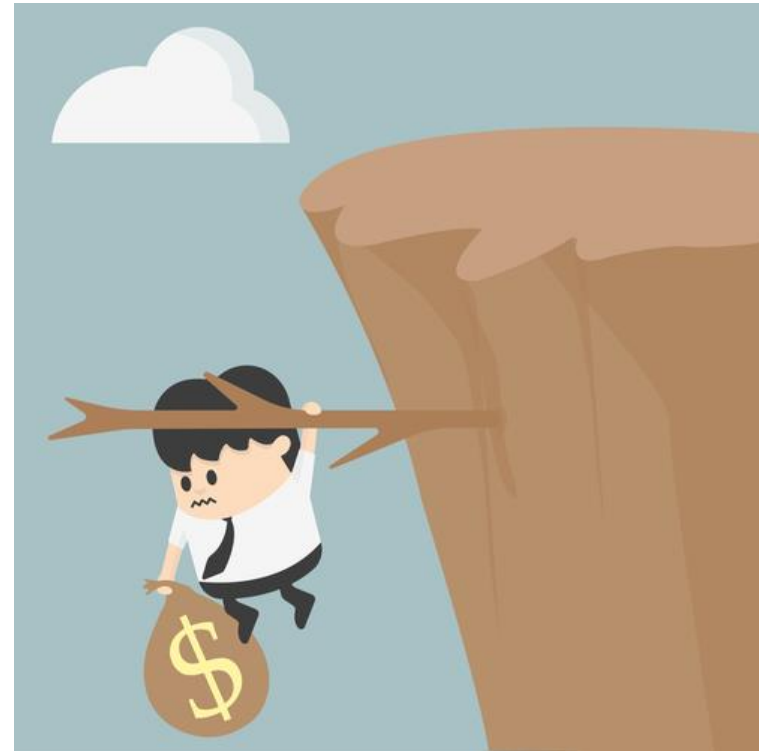
Phase 5: Decline-firms lose their competitive advantage and finally exit the market

Business Life Cycle



Inc. Magazine Study

- Followed businesses 5-8 years after they made the magazine's list of the 5,000 fastest growing companies
- 66.66% of the businesses identified on the magazine's list had shrunk, went out of business, or were sold disadvantageously





Financial Pitfalls of Rapid Growth

Too Busy for Customer Service

- Congratulations your product or service is so great you can't keep up with demand
- Check out the book “The Pumpkin Plan” by Michael Michalowicz
- In trying to please everyone, you often end up pleasing no one
- Focus on the prize winning pumpkin

Hiring the Wrong People



- Congratulations you have employees
- Choose carefully one bad apple ruins the bunch
- Be aware of the tax rules related to hiring employees
- Anyone is not necessarily better than no one

Business Decisions on the Fly

- You are not a firefighter so stop making business decisions like one
- Three feet from gold
- If you think hiring an expert is expensive wait till you hire an amateur
- Think of hiring an expert as an investment in your business not an expense.

What's a financial statement?

- Review your financials each month before the end of the following month
- Compare financials to historical data
- Make sure you look at more than just your profit and loss statement
- Hold your accounting team accountable



Revenue is Vanity

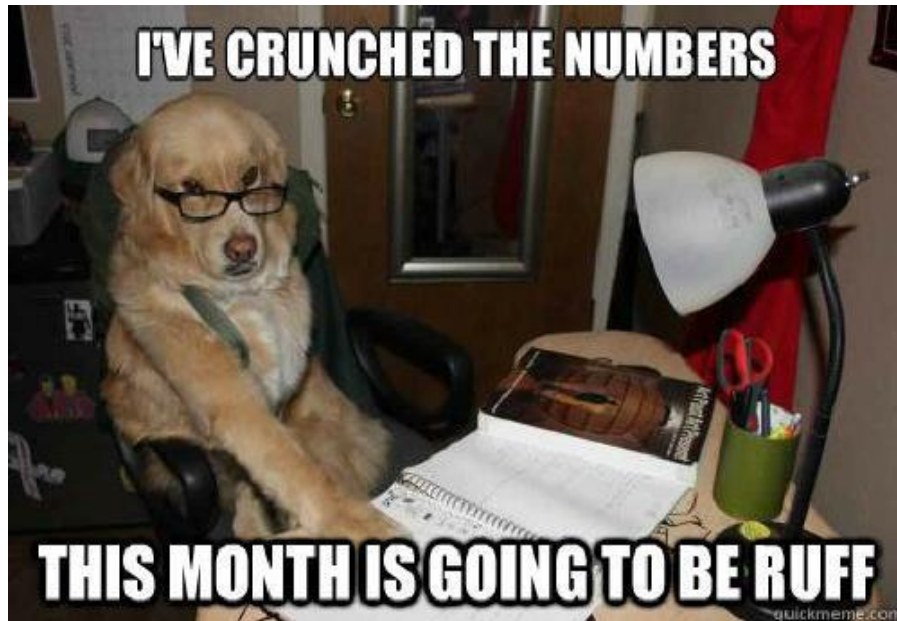
- Service based business
- 100% outsourced
- Gross margin 13%
- Gross \$1,000,000 results in gross profit of \$130,000 before overhead/fixed costs

Revenue is vanity... margin is sanity... cash is king.

(Anonymous)

izquotes.com

Profit (Margin) is Sanity



- Expanded advertising
- Increased sales by 26% over last year
- Cost us 6% in margin

Cash is KING!



How to reverse a cash flow problem

- Categorize your spending
- Benchmark
- Micromanage your spending
- Forecast your cash flow

Failure is not an option!

Years in Business	Failure Rate
1 year	21.2%
2 years	32.1%
5 years	51.2%
10 years	66.6%
20 years	79.6%

Statistics of Failure

- 82% – Poor cash flow management skills/poor understanding of cash flow
- 79% – Starting out with too little money
- 78% – Lack of well-developed business plan, including insufficient research on the business before starting it
- 77% – Not pricing properly or failure to include all necessary items when setting prices
- 73% – Being overly optimistic about achievable sales, money required, and about what needs to be done to be successful
- 70% – Not recognizing or ignoring what they don't do well and not seeking help from those who do

(from Jessie Hagen of U.S. Bank, cited on the SCORE/Counselors to America's Small Business website <http://www.score.org>)

ANY FINAL QUESTIONS?

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