



Business Investment Aged Care Tax Capital Works Chartered Accountant Sydney NSW

Rapid business growth, it's not all gravy says Thomas Mousa, Australia's leading financial expert, director and partner of TLK Partners Accountants and Wealth advisors in Sydney's Kingsgrove

Rapid business growth, it's not all gravy

It sounds crazy but for startups, rapid growth can be just as dangerous and fraught with challenges as having no growth at all.

Being 'so hot right now' and growing too quickly can put pressures on many areas of business, stretch resources and result at arriving in risky territory.

"It's a common problem," says Thomas Mousa, Australia's leading financial expert, director and partner of TLK Partners Accountants and Wealth advisors in Sydney's Kingsgrove.

The business desire is to achieve measured and sustainable growth; when growth surpasses expectation it can bring a number of problems.

Mousa comments on the problems raised.

Reduced cash flow and declining profits. Not all growth is profitable. It's business 101, but as you grow the demand for cash flow is at its highest. This happens for many reasons. More staffing is needed to keep up with demand, more cash is needed to pay for the stock, and supplier and delivery costs can balloon out. When this happens a decline in cash available is inevitable as funds are reinvested in increased cost of goods.

"It's important to know your numbers," Mousa warns, "far too often business owners don't have a handle on the numbers of their business and this results in catastrophic problems, which could have been avoided," Mousa said.

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Teamwork and team harmony take a hit. Team dynamics change when you experience rapid growth. The influx of new team members to help you keep pace with your growth, comes at the cost of the close-knit working relationships you established in the early days of your startup when numbers were small and everyone participated in various areas of the business.

The introduction of new team members at this stage can impact the existing harmony. As new staff members assimilate into the team, their induction, training and the new ideas they bring can be a source of stress to the existing team.

Additional pressure is placed on each staff member as well as the team as a whole. And as roles change and people become more focused on specific areas of the business, rather than participating in multiple areas, people can go through a kind of grieving process.

They go from being a member of a small tight-knit team with open access to their leader to being part of a larger group in a new hierarchy with less one-on-one time with their leader. To some, it can almost feel like a step backwards.

If not managed effectively, this can be a period of low morale and potential conflict between members of a once cohesive and collaborative team.

"The management of existing personnel during a time of growth is a recipe for HR success," Agreed Mousa. "Nurturing and valuing the contribution of the foundation members is important to their self-worth," Mousa continued. "And, the stable growth of the company will be based on each of those remaining individuals to be encouraged and memorialised to promote a growth culture," Mousa said.

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Customer service levels dip. Quite likely rapid business growth is a result of excellent customer service, however, if a business can't maintain this high level, it represents a significant risk and threat to the business.

As business growth and activity ramps up so will customer demand. So while busy hiring and training up new staff members and implementing new systems to facilitate growth, there's a real risk that customer service levels will slip.

Part of this can also be attributed to staff members trying to keep up and as a result cutting corners or new staff members reverting to practices from their previous employers, due to a lack of training and time to deliver adequate training.

"Knowledge transfer is imperative during a time of growth," says Mousa. "Spending time with new staff during a time of growth is the single most important thing you can do," Mousa said. "Further, it enables the opportunity of replication within the business, which is priceless," Mousa stated.

What to do. While we all want a business to be successful, pursuing a strategy of growth at all costs; without understanding the challenges ahead, will hurt the business in the long run.

If a situation arises where the business experiences rapid growth, managing all the above while also adjusting your own expectations will be crucial. For instance, if flexibility was the primary reason a small business was started, for perceived ease of flexible hours around family commitments, then it's likely that some of these benefits will be lost.

The best thing to be done is the development of a careful growth management strategy to ensure the business remains sustainable and stays true to the original vision and purpose. Otherwise, a crisis appears to come.

"Being real and realistic in our approach to business is a primary risk management strategy," Mousa says, "TLK Partners are experts at providing

real, balanced, financial advice," Mousa concluded.

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