Lean Manufacturing Isn't Enough: You Need a Growth Plan

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If you were a doctor who was examining a new patient who complained that pains in their abdomen had become intolerable, you would not prescribe a painkiller and send the patient home. You would have to do a careful diagnosis that included blood work and tests as well as a thorough physical examination. The doctor must find out if the patient has an upset stomach or colon cancer before offering a prescription.

The same rule applies to manufacturing companies who want to grow. It is important (and very inexpensive compared to investing in strategies) to examine many key elements before investing in strategies that all require some kind of dollar investment. In the *diagnosis* phase, the fundamental questions that need to be answered are:

- How much growth do you want in terms of sales volume and net profit? Knowing this at the beginning helps drive the selection of strategies.
- How is the company doing in sales, profitability, and cash flow? You don’t have to be a CPA to understand the relationship to sales, profit, and cash flow. If sales are flat or declining, profitability is declining, and cash flow is awful, it may be dangerous to work on any plan to increase sales unless you completely understand and can document the reasons for each problem.
- How will you finance the growth? Obviously if a manufacturing company has been struggling and is negative net worth, they may not be able to borrow any money for growth. Or the company may choose to finance growth from internally generated funds, which will severely restrict the number of strategies that can be used. It is vital to answer this question at the beginning of the process.
- Do you have accurate costs, margins, and price information? One strategy that must be developed in a growth plan is the pricing strategy. But if cost information is not accurate, or there are cash flow problems, it may be dangerous to pursue a growth strategy as sales growth might accelerate cash flow problems or further decrease profitability.
- Do you know the reasons you lose orders? Knowing the reasons you are losing orders is one of the most strategic questions in growth planning. If you don’t know why you are losing orders now, how can you develop a plan to grow in the future?
- Can you profile the best and worst customers? Industrial manufacturers don’t need just more customers—they need the right customers. It is essential to go after the customers that best fit the company’s products and services.
- Can you compare your products to the competitor’s products in terms of

price, delivery, key features—model by model? If you don't have an advantage over specific competitors in the market place, you won't be able to grow no matter what strategy you select. If you find out you don't have a competitive advantage you will have to change your products, services, or prices before initiating a growth plan.

- Do you know which market niches (customer groups) to focus on now and in the future? This question is answered by defining all customers by SIC CODES and then grouping them into market niches that can be prioritized to determine target markets. It is also important to answer the question of whether you want to grow by market share or by finding new markets.

Prescription

Based on the answers to these diagnostic questions the company can then determine which strategies are needed to help them grow. The following list describes 18 of the primary strategies that are used by progressive manufacturers I have met around the country:

1. Monitoring customers
2. Finding new markets/Diversification
3. Creating new services
4. Line extension/New products
5. Substitute/Replacement new products
6. Using customer ideas for new products
7. New technologies—Spillovers
8. Reverse engineering
9. Patented products
10. Leading edge products
11. Customization and short runs
12. Becoming a prospector organization
13. Pursuing international markets
14. Vertical integration
15. Developing proprietary processes
16. Going from local to national sales coverage
17. Developing new sales channels
18. Advanced skill training

Does this work? This is the process the author used to assess two industrial divisions that were losing money and market share. It was used to develop a 5 year plan to both turn around the divisions and select strategies for growth. Both divisions doubled in sales and profitability in 5 years.