GROWERTALKS

Columns

11/22/2011

The Economy of Slow Growth

Nathan Lamkey

Our country has been caught up in the measurement of growth. The stock market no longer waits for the year-end or quarterly statements; it's now the era of monthly reports and weekly trends that dominate the confidence of our population and decision making of our business leaders. The common business mantra, "if you're not growing, you're shrinking," has created a business climate where long-term risk is marginalized for short-term gains.

This is where small businesses, such as greenhouses and garden centers, need to step up and be the rational business partner in this economy. We're the part of the economy that has the luxury of not having to answer to shareholders and we need to take advantage of this fact. The problem with our stock market and traded corporations is that even if a company is currently profitable, if their long-term growth outlook is not as aggressive or attractive as desired, a company can ultimately fail due to loss in shareholder confidence.

The logic is that if a company isn't growing, its competition will soon take over its market share. This is correct to a point. However, this fear creates an environment where too much attention is given by executives on accelerating growth rather than developing sound business practices for creating sustained profitability.

The ultimate goal for any small business owner is to create a healthy company that provides a continual source of income for themselves. We also must be aware that all businesses follow an arc through their business life from creation and growth to decline. According to Stubbart and Knight (2006), the maximum lifespan of most firms is 40 years. For these reasons, the objective is to try and stay on the left side of the curve as long as possible and this can be done by lengthening the time it takes to get to the peak of the growth arc. Decisions for growth and expansion cannot be fueled by excitement and ambition, but rather a decision should be made through meticulous analysis and detailed planning. Rapid expansions can increase profitability and net income; however, it has shown also to produce long-term negative results as well.

An important positive result to slow growth is the decreased dependency on borrowed capital to finance ventures. As we have just recently experienced, our country was working and living on too much borrowed money and when the economy slowed down, the realization of our situation was exposed. The less a company owes to their lenders makes them much more flexible and liquid to adapt to the changing situations in the

marketplace.

Our economy goes through cycles of growth and decline, and it's the innovative companies with rational business plans that have shown the longevity and profitability desired by all. I'm using the term "rational" not to mean risk adverse, but rather as a description of a company that makes educated decisions after careful planning, analysis and reflection. It's in the best interest of our industry that we do not glamorize rapid expansion; it's under these hasty conditions that a company is vulnerable to poor business choices. A company that has grown too quickly and is put under the wrong stressors will make rash decisions that can negatively affect the marketplace in a serious way.

While slow growth may not be sexy or attractive, it's a business philosophy that promotes a dedication to sound business practices and diligent planning. It's these strategies that will give your company the endurance to prevail, while others will be taking an early exit. **GT**

Nathan Lamkey is the Ball Seed sales representative for Eastern Michigan. He can be reached at nlamkey@ballhort.com.