

Six tips for growing middle-market businesses in 2017

December 18, 2016

By James S. Cassel

With 2017 fast approaching and a new “sheriff” coming to town who has brought optimism for a better economy, it is beneficial for business owners to evaluate key factors that may affect their businesses and take the necessary steps to position themselves for maximum success.

First, consider our current economy. The national unemployment rate is 4.6 percent. Interest rates, currently at historic lows, have started to climb. Inflation is up slightly, and wage growth has started to come back.



James Cassel is co-founder and chairman of Cassel Salpeter & Co. **Carl Juste** MIAMI HERALD STAFF

Many businesses have been growing slowly. Even technology companies that might be finding faster growth than general service businesses are still finding their growth slower than anticipated. What does all this mean?

Employers are likely to find it increasingly difficult to find qualified talent and are much more likely to have to pay more to attract, hire and retain employees. Healthcare costs are going up next year, both for corporations and for employees. At the same time, other business costs are expected to rise as well. Depending on U.S. trade agreements, the cost to import parts and components for manufacturing might rise.

The spike in interest rates will slightly increase business costs, and business owners will be tasked with having to address a myriad of questions, including: How do they retain or improve profit margins, and can their industries institute price increases? How much, if anything, should they spend on capital equipment or improvements, and are there any ways they can reduce their costs by investing in robotics or other innovative technologies? Can they trim or eliminate other costs or expenses? How can they increase productivity? Most importantly, if there is increased economic growth, do they have the capacity to expand and, if not, what will expansion require?

So, what steps can be taken to prepare for growth in 2017? Following is a list of some general considerations and guidance based on our experience assisting middle-market business owners through all types of business and economic cycles:

1. Evaluate your current health insurance policies and consider sharing a larger portion of the costs with your employees. Otherwise, you can continue to carry the burdens and hope things will get better next year.

2. In light of inflation and wage growth, if your business is growing and can afford it, you should consider giving raises or risk losing employees to employers offering higher compensation packages. With a better economy, more employees will expect raises and be more likely to make a move in pursuit of the best offers.

3. Test your pricing power. Raise your pricing to compensate for the higher expenses you are likely to incur. Airlines have been successful at achieving this by creatively breaking up their services and offering things à la carte.

However, the question remains: Will the market in your particular industry absorb higher costs?

4. Cut waste. For example, a manufacturing company producing scrap would be wise to find ways to reduce the amount of scrap created or reuse the scrap and benefit from those savings.

5. Get higher utilization out of your people. A great book to read is Gallup's newly released, expanded edition of the international bestselling management book "First, Break All the Rules." Among other things, it explains how the best managers know how to assess people's strengths and weaknesses and put them in positions where they will find greatest engagement and success.

6. Prepare your company for growth. Review your existing capacity to determine how much room you have for growth. Also, start determining what you need to expand and begin taking the necessary steps to get there. Evaluate both the lead time needed as well as the capital required.

Most important, keep in mind that if you can grow faster than inflation and increase your organic growth, then you will be in a good position to absorb any increased costs that you can expect to hit your business in 2017. If you can increase your revenues by 10 percent and your expenses by only 5 percent, then your profits will increase. Indeed, by giving some thought to these issues and taking the right steps now, you can help ensure your business grows in the coming year.

James Cassel is co-founder and chairman of Cassel Salpeter & Co., LLC, an investment-banking firm with headquarters in Miami that works with middle-market companies. He may be reached via email at jcassel@casselsalpeter.com or via LinkedIn at <https://www.linkedin.com/in/jamesscassel>. His website is: www.casselsalpeter.com