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» Sage's Q&A Collection

» Dear Sage...

Dear Sage:

In these tight times, I want to **self-fund my company's growth**. Any quick tips for me?

Dear Entrepreneur:

You're in good company. The April 2003 NWEN breakfast featured 3 speakers doing just that.

If you strike it rich with business, remember that it is possible to grow too fast. Dave Packard, co-founder of Hewlett-Packard Company, created a rule of thumb for his young company: limit growth to the product of your profit percentage after taxes and your capital turnover, where your capital turnover is the ratio of your annual sales to your capital assets.

For example, let's say you have \$1 million in revenue and \$250,000 in capital assets, and you earn 10% after taxes. Your capital turnover is 4.0 (1,000,000 divided by 250,000), and thus your maximum sustainable growth rate without outside investment is 40%.

To find out more, check out How Fast Can You Grow? A Strategic Systems View of Business Growth www.pegasus.com/AAR/model4.html.

Sincerely,
Bill Harris, Facilitated Systems
for the Sage

April 2003

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