
THE PATH TO SUCCESSFUL GROWTH IS NOT AS CLEAR AS IT SEEMS

By Lawrence M. Alleva

Partner

Technology, InfoComm and Entertainment & Media Practice

PricewaterhouseCoopers LLP

McLean, VA

For most executives, rapid growth is a universal aspiration. To be sure, a company must also possess a number of core competencies -- including a strong product or service with the potential to successfully compete -- to even be eligible to enjoy and experience a rapid growth mode. Even though there are entrepreneurs out there in some sort of a state of denial, most people acknowledge that managing a rapid growth business is tough -- very tough. With rapid growth comes incredible competing demands on the time of not only the CEO but the rest of the leadership team. The speed of change causes virtually every decision to become important and magnified, and most mistakes to be costly. Trip wires abound, and even the most nimble entrepreneur finds it difficult to work his way or her way through the unforeseen hazards in their path.

I am a vocal advocate that growing companies must, absolutely must, focus on at least eight critical success factors (CSFs). This alone won't make them successful, but it will significantly enhance their likelihood of success. You need to build these CSFs into your culture, and make sure that your company has an embedded mindset and a business structure which considers each in a very substantive way, and "truly lives" these success factors -- each and every day.

Let me acknowledge that this is not a "one size fits all" approach. As a general rule, however, the eight CSFs I will discuss below have applicability for most rapid growth companies.

THE CRITICAL SUCCESS FACTORS

EXECUTIVE LEADERSHIP

Venture capitalists will tell you they invest in three things: people, people and people. While obviously a bit of an overstatement, it is clear that having the right leadership team will make or break most companies' success. CEOs with vision and with the ability to get the team to buy into his/her strategy for the company is key, but at the same time so is the ability for the CEO to surround himself or herself with talented people who will complement his style, and be sufficiently empowered to drive their respective areas of responsibility.

Executive leadership is, however, even more than this. "Been there/done that" is not to be discounted, for experience proves to be invaluable during periods of rapid growth, trauma and stress, and of unforeseen challenges. Equally important is having an executive team humble enough to recognize their limits, possibly even including knowing when it is time to pass responsibilities to someone better equipped to steer the ship as it accelerates into the next stage of growth.

While successful CEOs cannot afford to be risk adverse, neither can they be oblivious to the risk and realities of navigating a growing company through seemingly perpetual "uncharted waters".

STRATEGIC PLANNING

Way too many entrepreneurs view the strategic plan simply as a vehicle necessary to attract and raise capital, and they discard or at least downplay its importance at the very time when it is most important -- as the company is trying to revise and update the road it might follow. Defining the strategies for today is important; thinking through the options and performing some contingency planning for tomorrow is critical.

Successful rapid growth companies may not know what lies beyond each curve in the road, but at a minimum each member of the executive team must think strategically, contemplating what

they might do in various potential scenarios. Beyond simply thinking strategically, of course, is the need to fully contemplate the tactics you plan to follow. Unforeseen competitor breakthroughs in technology; drop off in market demand; favorable or unfavorable regulatory changes; delays in bringing your product to market; insufficient or delayed infusions of capital into the business. The list is endless and unpredictable.

SALES, MARKETING AND CUSTOMER FOCUS

Successful growth entails far more than selling today's products to today's customers. It is, in fact, all about how you will let the world know about your product, how you will sell it, who will be buying it and what you will be selling tomorrow. Rapid growth companies usually have a decent feel for where they believe their R & D efforts will take their product portfolio.

Successful rapid growth companies recognize, however, that what matters more is where market demand will take them and ensuring that they have a product which meshes with such customer demand. You cannot create a market demand; you can only fill a market need, and in periods of rapid growth, many companies fail to recognize the difference.

Once the market is defined, of course, the challenge then is to get the market to recognize you and to buy into your product's value proposition. There's a difference between being recognized and being wanted, and you need to achieve both. And, once you win the customers, the next and immediate challenge is to keep them. Customer loyalty often is a myth. You need to maintain customer focus and to sustain customer demand.

FINANCING AND FINANCIAL FUNCTIONS

All companies recognize that they need capital to grow and succeed. What most companies do not fully appreciate is how much money they'll really need, or how long and consuming the practice can be. Management teams skilled in the financing end of this CSF will be way ahead of their competitors. Beyond securing capital, however, is the complex task of challenging the first dollar spent decision almost as rigorously as you would for your last dollar in the bank. It is about making the right spending judgments, measuring and monitoring both the cash outflow and

the return on such investments, and knowing sufficiently far in advance when you should start to go back to the well for more capital.

Financial functions are often misunderstood, for all CFOs are not created equal. To succeed during periods of rapid growth, a company must have a finance function that will bring discipline and controls to the table, and an ability to understand the business and the operations just as well as they know the numbers themselves. Effective finance functions need to do more than produce reliable numbers. They need to understand and help define what information is most relevant to management's efforts to assess, monitor and importantly steer the business.

PEOPLE MANAGEMENT

Rapid growth companies tend to have an insatiable appetite to add more and more people. Often the need is there, so the decision seems obvious. What is not obvious, however, is how many and which type of people are needed. The skill sets and talents necessary to serve in one role today may be outgrown tomorrow. Moreover, especially in technology development areas, many companies have a tendency to throw bodies at an issue or an opportunity. A CSF for most growing companies is the ability to truly assess and define your human capital needs -- for today and tomorrow -- and to have the discipline to both hire the right people and only the number of people you truly need.

Almost every employer out there also has another common goal: hire and retain the best and the brightest. Having the right compensation and reward packages, tailored to truly incent the team to work towards the right goals, is critical. Having a culture where people feel appreciated and believe that they have genuine opportunities to grow and to be rewarded likewise is equally critical to retention and, ultimately, to a business' success.

Successful companies also need a culture where teamwork and collegiality is a given, and where there is a common passion across the workforce for the company to succeed. Achieving what I

call "there's something in the water" culture is far easier said than done, but is an extremely important ingredient to the people management success factor.

INFORMATION TECHNOLOGY

Information Technology (IT) is more than just about computer systems. It is the entire process of providing your people with the best information possible, using those leading technology tools which make economic sense for your business. It is about having reliable systems that grow with the business, as opposed to constantly being in a mode of catch-up and of having to make difficult decisions as to which user needs can be addressed and which needs will have to be postponed due to IT overload and related issues. At the same time, it is about justifying IT spending decisions the same way all spending decisions are made.

A successful company must view IT as the process of continuously defining and refining user needs and of adapting and developing systems to meet those needs. It is about increasing the power of your workforce by equipping them with better information, quicker, and more accessible than that which their counterparts at competing organizations receive.

CULTURE AND COMMUNICATION

Culture is a more elusive success factor, since there is no prescription for the "right one". Successful cultures represent environments that have evolved and adapted to the personality of the founders and the leaders of the company. A company's culture says a lot about both its leaders and the commitment of its people to the company's goals and plans. A culture that empowers workers to take risks and autonomously make decisions -- right or wrong -- may be the best answer for one entity and a recipe for disaster for others.

Volumes have been written about the importance of effective communication within businesses, but one not only needs an effective culture but an environment where people communicate with each other, and are also kept apprised of key developments and information that allows them to understand the bigger picture of the company's successes and challenges. Effective

communication often is one of the toughest things to attain during periods of rapid growth. Busy people may not make the time to communicate. Infrastructures may be lacking to facilitate the efficient transfer of information. The workforce may be expanding so quickly that, quite simply, people do not know each other. Leadership of growing companies needs to take ownership of this issue, and lead by example in communicating effectively with those below. If you make effective communication a priority of yours, others will soon do likewise.

OPERATIONS

Embodied within effective operations of a growing company is the need to (a) be prudent enough to make a commitment to quality and to make "doing it right" a cornerstone of your culture, (b) be nimble enough to be able to react to things never going exactly as planned, (c) be perceptive enough to recognize unforeseen problems or opportunities within day-to-day operations, (d) be focused enough to understand that rapid growth and success cover up small mistakes and operating shortcomings, but do not forgive a failure to address and fix those of which you become aware, and (e) be smart enough to know that, in the end, it always comes down to good "blocking and tackling". Said another way, many growing companies stumble and even eventually fall because they had been so focused on driving the business, developing and marketing the newest products, and beating the competition to the punch, that they failed to establish within the company the necessary operating core competencies which they need to sustain success.

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