

growth: how fast is too fast?

~ Mark Healy / Partner / Torque

I read a great piece about a basketball player – you may have heard of him – Shaquille O’Neal. He is of some acclaim: four-time NBA champion, three-time finals MVP, league MVP, 13-time all-star. Etc. Anyway, the story goes like this. Back in the day, Shaq is given an invitation to basketball camp for promising high school players – guys with a legitimate shot at making the NBA. He’s a lumbering 6’ 6”, 225 lbs, or something like that. At the camp, he’s impressive, but doesn’t seem to be playing up to his size. So, on the third day of camp one of the coaches decides to broach the issue with him. He starts by asking “why aren’t you dunking like a lot of the other guys out here?” Shaq’s answer: “I’m 12.”

He grew too fast.

How do you know if you are growing your business too fast?

Here are some tell-tale signs your entrepreneurial business is growing too quickly:

1. **The first, and most alarming, is a slip in quality.** Each of the next five symptoms you will survive in the short-term and are correctable in the long-term. Quality problems can be deadly, though.

If you are running an SMB, you are likely in one of two camps: a) you/your firm is very good at a core competency – might be a product, might be a service – or b) you have raised money and are sorting out your value proposition. In the first camp, a quality problem if not corrected immediately could put you out of business. The Firestone’s and Bombardier’s of the world survive bad bouts of quality control because they have deep cash reserves and solid brands to fall back on. Most SMBs lack the customer base and customer forgiveness to outlast a bad run on quality. In the second camp, while the quality issues might not sink you quickly, they will just get worse and worse if not addressed immediately, anyway.

Superior customer service and response is the only answer to quality problems that have already cropped up. But a good defense against sustained periods of suspect quality is to establish a solid quality control/review process, and quality metrics. These can be as complicated as machine control charts, or as simple as “no report leaves the office without having been reviewed by two senior people”. Metrics can be internal, but at some point you have to measure how customers feel about quality delivered.

2. **Taking business that is off-brand/off-core.** This sign reeks of revenue focus, not business focus.

We all know that keeping the doors open at times means keeping cash flows positive – but we also all know that taking on ad-hoc orders or off-core clients is both risky and brand diluting. The risk comes in not knowing what exactly is involved in fulfilling on the request. If you are running a manufacturing operation, will the line produce the order to spec without machine modifications? If you are running a restaurant, will you be able to mass produce a non-menu item for a catered event? If you are running a professional practice, do you really know enough about the industry or function you just signed up to provide a solution for?

Referrals are so important for SMBs, and this is where brand dilution kicks in. You want your clients and supporters to talk about the work that you do. Except the work you do that is not really what you want to do long-term, right? Doesn’t work that way.



- 3. Making questionable hiring decisions.** There are probably some SMBs out there where talent doesn't matter much. I just can't think of any.

At Torque, we believe that our success rests fundamentally on the crew we build. If we get client-oriented, smart, hard working, genuine people who take initiative, there's nothing we can't do. If we hire consultants where we ignore either the talent or character sides of the equation, we'll get into trouble. The trick, during periods of growth, is to not say 'he/she is good enough'. Hiring a warm body may get you through a peak period, but turning that person over later will cause all kinds of heart ache – he/she will have forged relationships with at least a few employees who feel that the let-go decision is unfair. And there is real cost in terms of recruiting and training that will reoccur and in terms of morale impact and loss of productivity associated with assimilating a bad fit and then extracting that person from the organization.

Hold the line on talent. During periods of rapid growth, if the candidate in front of you wouldn't have made the cut three months ago, she/he can't make the cut now.

- 4. Losing touch with your current employees.** As your business grows, some loss of touch between owners/founders/management and employees is inevitable. But, a rapid progression here though is a bad sign.

Relating to the point above, most SMBs that I've come in contact with succeed or fail based largely on their talent base. As an owner or operator, forgetting who is actually doing the work or delivering the service or making the sales can be demoralizing and dangerous. The demoralizing bit comes in the form of not thanking or acknowledging the hard/good work of the soldiers in the trenches. The dangerous bit lies in not knowing what is actually going on at the interface between your people and the product/service (see point 1 on quality slipping), or at the interface between your people and your customers/stakeholders. Poor customer service usually stems from a lack or back-off of management control, not poor training.

I sat on a sales and marketing panel yesterday, and someone from the audience asked me about how to avoid this. It's not complicated – just don't forget to make time every day to walk the factory floor or aisles of your store. It's the every day aspect that is important.

- 5. Firefighting, not planning.** We've all heard the expression 'work on the business, not in the business'. I think this can be taken way too far – see points 1, 3, 4 above. But, there is merit to the idea that – as a poster from my childhood said – if you aim at nothing, you'll probably hit it. And this can be a sign of growing too fast.

There is a difference between firefighting because you can't delegate effectively and firefighting because you just can't find the time to plan. If you are looking at scenario two, you are growing too quickly. In any business, there has to be time to have an hour-long conversation about planning once a week, and a longer period of time – like a day – devoted to strategy and planning every month.

If you are not running it, it is running you. You are better off to turn away business in the short-term than to ignore the signs we've talked about here.



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