

## **Planning for Upsizing**

Clear goals, a strong team and openness to new ideas can help your company survive growing pains.

Every big company was once a small company. Take, for example, Coca-Cola Corp., which pulled in a measly \$55 in sales during its first year of business. Today that wouldn't buy one share of its stock. Some companies experiencing this type of exponential growth make the transition smoothly; others find the jump from "mom and pop shop" to "corporate entity" excruciatingly difficult. In this era of mergers, consolidations and takeovers, growth — or "upsizing" — can be equally as painful as downsizing if you begrudgingly hold onto old ideas, relationships and operational functions that your company has long outgrown. There comes a juncture in every business where the owner realizes that he or she must stretch and grow. How the owner handles that turning point can often mean the difference between success and failure.

To determine if there is a formula for dealing with rapid growth, we interviewed three company executives who have reached the point of upsizing. The companies we spoke to represent three different phases of the upsizing curve: one has successfully survived the transition, one is right in the middle of it, and one is just beginning the process.

### **1. Mapping Out a Growth Plan**

Steve Flynn, CEO of Spectaguard, a Wynnewood, Pa., security company that is primed to become a national leader in its industry, survived the upsizing phase gracefully. Spectaguard, which was formed in 1980, grew rapidly during the following decade to become the 16th largest security company in the country. About five years ago Flynn realized it was time to re-evaluate his business if the company was to grow and change to meet the new challenges it was facing.

What was Flynn's solution? He took time off-site with his staff to develop a growth strategy, and he found that the key to successful growth is establishing clear goals and organizational skills, but always being prepared to adapt to changing markets and technologies. The result is a company wide operational plan that outlines specific three-year and one-year departmental and individual goals. "I have become a big advocate of planning," says Flynn. "I can tell you where I'll be in five years, but I'm flexible too. Our plan is like our organization: We have a structure, but it's a jellyfish".

Planning has since become integral parts of Spectaguard's operation, and they devote four or five off-site days per year to updating their long-term plan. Flynn believes that off-site business meetings are dollars well spent for growing companies because they allow employees to get away from the demands of the work environment for an undisturbed "regrouping". By getting away from the pressures of day-to-day operations, the members of an organization have time to

stand back and take the broad view that is critical for long-term success. As a company grows, the lines of communication become more complicated and information often gets lost or garbled. The problem of "one hand not knowing what the other hand is doing" surfaces, and duplication of efforts eats into profits and productivity. Off-site meetings help keep these challenges in check.

Off-site meetings can prove beneficial in many ways: They can:

- uncover potential roadblocks to company success.
- create a positive climate to foster teamwork.
- provide opportunities for different levels of employees to interact and
- develop healthier working relationships.
- nurture the creativity that often gets put on the back burner when employees
- are caught up in the stress of day-to-day activities.
- be an opportunity to reward the staff with a little well deserved R&R.

## **2. Staying on Course**

Stephen Deviney, president of Chartwell Advisory Group Ltd., a King of Prussia, Pa., costcontainment company poised for major growth, is in the process of upsizing. Chartwell was formed in January 1995 as the result of a merger between two companies and was composed of 18 people in a small geographic area. Today there are 80 employees in 11 locations across the country, and the company expects to double in size during the coming year. Deviney has already discovered the importance of setting goals for his impending growth phase. "It is essential to have clear goals that are communicated properly," he says. "It helps you 'laser in' on things". A tendency in many growing entrepreneurial firms like Chartwell is to get pulled in different directions and sidetracked by the myriad of opportunities they encounter. But Deviney's goal from the beginning was to build a national company, and that has driven every decision he has made. Now he is wrestling with the need to translate his broad vision and goals into specific divisional and individual goals.

Steven Garfield, president of Trio, a New York City dress manufacturing company, is on the verge of this epiphany. He has been in business for three years, and he has already learned the hard way that failing to plan for growth can cause numerous problems. Since starting his company he has been in a process of constant change. The company has already quadrupled its revenues and, as a result of such rapid growth, Garfield has been operating in a reactive mode — struggling just to get the products out the door. "I knew I needed to plan, but there was no time to do it right," Garfield recalls. "We grew so quickly that by the time the plan was implemented, it was obsolete". Garfield found that his employees were overwhelmed and working late. Quality problems were showing up because there was no time to check garments properly. "In a small company everyone has overlapping functions," he says. "Now I need to define the functional areas and make them more autonomous. I need to establish clear reporting lines and anticipate the staffing needed for growth. I was saving money by not adding personnel, but now I don't have the organization I need".

### 3. Choosing the Right Team

Keeping pace with anticipated growth and having the appropriate staff to meet those needs is essential to surviving the upsizing stage in your business' life cycle. If you don't upsize your staff along with your company, you may find yourself burning out your most important asset: dedicated employees. Watching payroll expenses soar can be a terrifying experience for many entrepreneurs. While they understand that they need to spend money to make money, the thought of signing an increasing number of paychecks can be intimidating. However, it is important to overcome that fear to avoid being short-sighted in your growth plan.

When looking for employees, Flynn says that it is worth investing a lot of time in your search. In fact, he recently spent five months interviewing 50 people to fill one key managerial position. While some may consider that overkill, Flynn thinks it was time well spent because he was able to find exactly the person he was looking for to fill the job opening.

Deviney says his personal attitude makes all the difference when it comes to hiring, and he believes that his optimism about his company sets an important tone for prospective employees. "Why do people come? They like your enthusiasm," he says. "They trust you."

Trust and respect are equally critical in developing internal people, and that is especially true when it's time to start sharing responsibilities amongst a growing organization and pushing decision making down to managers. Not only do people have to be trained to improve their skills, but they must be taught how to become responsible members of a team. Employees must be taught to become increasingly independent, while also working as part of a team. They have to work independently and, at the same time, make sure that important information is communicated throughout all levels of the organization. Encouraging managers to take more responsibility is only one side of the coin. The other side, which Garfield is currently experiencing, is establishing a system of trained people that are capable of making autonomous decisions. His biggest challenge at the moment is getting the newly formed departments to work together effectively with the existing ones. He must ensure that every segment has a mental picture of the juggling act and knows how to keep its ball in the air at all times. "I see the sum of all the parts," Garfield says. "To make a manufacturing company work in today's sophisticated clothing industry you must juggle many balls at one time — sales, design, production, quality and finance. If one ball drops, it brings down all the others".

Delegation becomes a difficult issue for many business owners who need to free their own time by hiring staffers to handle increasingly important duties. Giving up the responsibility of having all the information and making all the decisions is excruciating for many entrepreneurs. Just realizing that many business owners experience the same thing can be an enormous help. Flynn doesn't hesitate to say, "Every day I am letting go of the need to control".

Many business owners can point to an exact time when they realized they had to cut the ties and let employees make some of the important decisions for the company. For Deviney, it was October 1996. "I was trying to do everything, and I wasn't doing anything properly", says Deviney. "I was short-cutting the jobs because there were too many". Since his revelation Deviney has spent much of his time creating an organizational structure and reporting system that allows dispersed decision-making.

A similar leap came in 1995 for Spectaguard when it acquired CoreStates Bank's electronics surveillance unit. Because the deal doubled their alarm business, the company needed to open offices in Delaware, New Jersey, Rhode Island, Connecticut and Massachusetts. Even if he wanted to, Flynn couldn't oversee every location himself.

Upsizing creates a major cultural change that is difficult for everyone. It usually takes several years to truly change the culture of a company, and the entire organization will experience growing pains along the way. Deviney and Flynn agree: You have to realize that not everyone will be willing or able to make the transition, and not everyone will stay with you as your company grows. That can be a tough realization for small companies that have a family atmosphere. "Some employees are like sponges", says Flynn. "They thrive on change and want to learn new things. Others fight it".

#### **4. Solicit the Ideas of Others**

No one person can have all the knowledge needed to grow a business successfully. As already noted, building an effective organization of talented, motivated people is one key way to bring expertise to your firm, but it is equally important to ensure a fresh stream of ideas funnels through from outside the four walls of your business. One way to achieve this is through a group of advisors.

This group should consist of people who have already walked down the path you are traveling. "Don't look to friends when choosing a board of advisors", says Flynn. "They'll tell you what you want to hear, not necessarily what you need to hear." The earlier you establish this team, the better. It can help you see what your blind spots are and how you may be unintentionally inhibiting yourself from building the very entity you are trying to create. Their experiences in the trenches can get you over the tough hurdles and become an important source of support during the upsizing process. Effective delegation requires four basic commitments:

- Make sure your expectations are clearly understood and accepted.
- Choose the right employees to do the right work.
- Provide employees with the information, tools and training needed to tackle the job.
- After you delegate a task, do not take it back.

*Copyright © 2011. Women's Enterprise Centre is the go-to place for BC women business owners for business loans, skills training, business advisory services, resources, publications and referrals. For more resources to start or grow your business, visit our website at [www.womensenterprise.ca](http://www.womensenterprise.ca) or call 1.800.643.7014.*