Tremendous Growth Got You Down? How to Keep Up with New Business Via a Strong Infrastructure

By: Renate Rooney

Your company is growing in leaps and bounds. Your revenue projections indicate this will only continue. So why are you and your management team concerned?

While your revenue projections show growth, your forecasted profit margins show a decline. In a recent quarterly review with key clients, you heard some unsettling remarks about your company's ability to deliver on its commitments. And, the staff is showing signs of "burn out"—key players are starting to leave, while new employees are struggling.

It's time for you and your leadership team to take a step back and ask yourselves, *Is our infrastructure strong enough to support sustained growth?*

At a recent Boston College CEO luncheon, Xerox CEO Anne Mulcahey spoke about asking that same question to her executive team eight years ago. Granted at the time Xerox wasn't growing; rather, they were in dire financial straights. But to her credit, she and her team not only worked to solve the financial woes of the company, they built an organization with a solid infrastructure. Today, Xerox leads the global market in color imaging equipment.

A solid Infrastructure is critical to growth success. Smart companies like Xerox are focusing on their core business and building infrastructures that support it. All their growth is controlled, strategic, methodical, and supported by their infrastructures.

How are they doing this? By:

- Ensuring that critical processes, i.e., product development, sales and customer relationship management process, etc., are in place.
- Spending considerable time hiring the right people and making sure they fit the organization's culture.
- Investing in employee training.
- Investing in systems, i.e., automation, business applications, and Internet infrastructures, to leverage their assets for core business purposes.
- Controlling costs and keeping overhead structures low. For example, Jet Blue, a no-frills, service-oriented airline, has committed to a simple infrastructure, in that they have set up call centers in employees' homes. By not obligating themselves to expensive overhead, they are able to keep their cost structure low.

Successful organizations are seeking new ways to grow. They may: expand into new markets; reduce production costs by taking some operations offshore; consolidate; and undergo a merger or acquisition. With infrastructures that can support these changes, they're able to respond quickly and keep the business moving forward.

However, if an infrastructure fails to keep pace with change and growth—especially when a company grows quickly—a vicious cycle often begins. The company struggles due to a lack of integrated processes, technological problems, the wrong people in certain positions, untrained staff, over-promising and under-delivering, unclear roles, lack of decision-making power, etc.

Even when a company is not seeking to grow but is merely struggling to survive, its infrastructure is critical. Without strong systems in place, they may be forced to file for bankruptcy (like Delta Airlines and Mervyns Department Store Chain), or downsize and streamline (like General Motors and Ford Motor Company). If a company can't respond to necessary changes successfully, it doesn't stand a chance.

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Inner Workings of a Strong Infrastructure

What does it mean to have a strong infrastructure? How can you ensure that your organization is ready and able to respond to any changes or growth, either intentional or unexpected?

Here are some components of a strong infrastructure.

- The organization understands its strategy and has clearly defined objectives and goals.
- Plans for both growth and downsizing exist, and include clear objectives, metrics and milestones.
- Processes are integrated, measured and continually improved.
- Technology supports processes and business needs. Short-term and long-term needs are balanced. The organization has a vision when implementing solutions and avoids overcomplicating its technology.
- Staff has a clear understanding of roles and responsibilities and is held accountable for actions/behaviors.
- Risk and contingency plans are in place, and the company has the nerve to execute them when needed.
- A good communication plan and process is in place at all levels within the organization.
- The company is properly capitalized.
- Financial expectations, including all budgets, are clarified and understood. It's easy to burn through money when growing or downsizing.
- The needs of the client are balanced with the needs of the organization, which prevents over-promising and under-delivering.
- Plans are adjusted as necessary based on needs of employees, customers and the company itself.

Where do most companies falter in building their infrastructure?

The biggest infrastructure-related mistake companies make when undergoing change is focusing on only one element, such as process or technology or people, while ignoring others.

One fast-growing company we know concentrated on building a high-producing sales organization. After two years of intense sales concentration, they reached record sales levels. However, they ignored making the necessary investment in operations and customer service to support their new growth. As a result, as they brought new customers on board, they found themselves unable to meet customer expectations. By only focusing on sales and not looking at the entire picture, management puts the company at risk.

Companies that have a comprehensive plan, adapt it as necessary, and commit to it will build infrastructures that successfully support any change, growth or evolution.

Mistakes That Weaken Your Infrastructure

Infrastructure mistakes can occur in every area or your organization. Here are some key areas and what to look for when examining your infrastructure.

Strategic Mistakes

- Lack of a vision, mission, strategic plan or plan for growth.
- Failure to communicate the company's strategy, vision and growth plan to employees.
- Failure to listen to stakeholders (employees, customers, competitors).

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- Failure to work with the senior management team to continuously define and refine, measure progress, and gain buy in.
- Micromanaging and not delegating decision-making authority.
- Lack of an effective communication plan.
- Lack of honesty with the board of directors.
- Failure to use the talents or advice of the board of directors.

Operational Mistakes

- Failure to develop and measure efficient processes.
- Failure to develop an operating model.
- Lack or redundancy of tools and technology.
- Lack of appropriate short-term and long-term structure.
- Lack of an operational plan with clear objectives, metrics and milestones.
- Poorly managed projects, failure to link projects to strategy, or redundancy of projects.

Human Resources Mistakes

- Failure to hire the right people for the company culture.
- Failure to hire for the right competencies.
- Lack of clearly defined roles and responsibilities.
- Failure to have an "on boarding" orientation process.
- Failure to hold people accountable.
- Failure to address inappropriate/unwanted behaviors.
- Lack of coaching or mentoring.
- Lack of appropriate reward structures.

Financial Mistakes

- Failure to manage budgets, or burning through cash.
- Lack of long-term investing.
- Excess spending on R&D without realizing returns.
- Setting unrealistic expectations with analysts.
- Continuous episodes of missing "earnings expectations".
- Not being properly capitalized.

Marketing Mistakes

- Lack of focus on the core business.
- Being out of touch with or failure to assess competition.
- Inability to leverage existing clients.
- Failure to develop appropriate products.

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After reviewing this list, consider the areas where your company has the most opportunity. Begin building or strengthening your infrastructure there. Managing all aspects of an organization's growth is a complex challenge. Executives who recognize the challenge, focus on and build a sustainable infrastructure are likely to be leading the fastest-growing, most successful businesses.

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