

The Risks of Growth *Lead · Build · Grow · Fix*

Growth : Friend or Foe?

In a separate article, the management challenges of growing a marketing communications agency, I have considered the demands on agency leadership, structure, people, performance, processes and systems as an agency moves through five stages of growth; from birth to infancy, through childhood and adolescence into maturity.

This article looks at the softer, textural implications of such growth; what could go wrong, and what impediments to successful growth might be encountered along the way. Forewarned is forearmed.

Growth is good?

'The only sign of life is growth', it is said, but growth is not the singular measure of success. The nature and sources of growth are important and it is critical to be in control of the *impact* of growth. Surprises lurk when growth just 'happens'.

Positive growth can bolster the vitality of a business.

- First, by affording the opportunity for talent to develop within the company (a lack of growth restricts the "headroom" for people to grow into, so progressives leave while coasters remain).
- Second, growth enables recruitment from outside (often at more senior levels) providing the talent to continually examine the business with greater challenge and perspective.

Growth does not necessarily risk compromising creativity, but it certainly can do if the growth is random, undisciplined or uncontrolled. Growth per-se is not the problem; the nature of growth is the challenge, and the best growth is planned or managed growth.

The nature of growth

What is your goal for the growth you desire? Growth simply to be bigger, to be more profitable, to be more accepted, more relevant? In high-growth markets such as China, strong growth may not be avoided, but how it is managed (and properly planned for) will determine ultimate success.

Consider what the growth impact will be on requirements for staff, systems, quality, service delivery etc. An annual profit plan measures short-term impact and performance, but often overlooks impact on soft issues when anticipating aggressive double-digit growth, year-on-year over a 3 year period. Growth should be adequately resourced and supported if it is to be sustainable and profitable.

A business plan should consider the implications, risks and changes that profitable growth will bring. Not just on scale issues of expansion, but on human and textural issues of people, culture and sense of team. Without this, the business risks lurching from one crisis to the next, dealing with problems reactively rather than anticipating challenges with flexibility to deal with surprises as they arise.

Intangible impact

Growth, and the greater resources and potential it provides, introduces many good things, but it also infects certain elements of business life at an agency that should never be taken for granted:

- You can't replicate passion, so passion begins to dissipate as the business expands and there is a very real risk that the quality focus becomes 'good enough' instead of 'very best'
- The founder(s) lose connection to the staff and the value of being informally aware of problems begins to filter out
- Culture becomes increasingly difficult to maintain as scale introduces new tensions between people as sub-groups form
- A strong vision / offer / purpose in a business provides a certain glue and stability that enables growth to be more easily managed, because the underlying truth of the business helps provide a clear blueprint over the direction of change. In the absence of this glue, a 'looser' business will run the risk of being driven by events rather than driving them

The founder may now begin to struggle with greater demands on their time, battling against the expectations/demands/accountability that this growth creates. The founder may struggle to hold onto the family business atmosphere, hoping to keep passion alive, worrying whether quality levels are being adhered to and trying to keep a footprint on the business.

However, as the growth continues, it may not be possible for the founder to successfully manage this transition without wide-ranging changes that address personal beliefs, values and management style.

When growth stops feeling good

The chase for ever-increasing revenue and profit goals can create a myopia that takes management's eye off the impact that growth and profit pursuit may be having at a deeper level within the agency.

When this myopia sets in, the following sentiments may be felt within the agency:

- A sense of becoming a factory, rather than a hotshop
- 'We were niche, now we've become mainstream'
- We are losing the nimble ability to act quickly and decide easily
- Larger projects require more structure and process. Becoming a more process-driven organisation leads to a feeling of being slow, inflexible & bureaucratic
- Becoming inwardly-focused rather than looking hard at the market and what clients really want
- Additional tiers of management appear between the people doing the work and the agency client lead approving the work solutions. These begin to slow down ideas and de-risk solutions, so you lose your edge and become 'safe'

Warning signs

Here are a few warning signs that may suggest your business is slipping into decline, despite solid financial performance:

- Losing a major, original client. Examine and understand why this happened, and beware post-rationalisation that it is the client's fault!
- Accountability gaps appear at senior levels for critical aspects of a client engagement by allowing a junior person to make key decisions affecting the client relationship
- Excessive time spent on internal meetings
- Hiring for skills over fit with the ideals & culture of the business
- New recruits want the badge, and don't share the same degree of commitment to the cause as original staff
- Becoming less discriminating in the nature of work and type of clients you accept
- The talent gap between leaders and the next tier is widening
- Leadership meetings are more about resolving problems than creating / implementing ideas

So what?

If you feel a sense of growth happening to you and want to get better control, be more discriminating in the type of work and clients you take on. Have a qualifying process for fit that confirms that the work (or the client) meets certain key objectives for your business. These may be fit with the services you wish to provide, fit with your business values and ideals, fit with your expertise and experience or fit with your people.

Try to establish a solid succession plan to develop leadership and management solutions for the longer term as the business grows and expands. True *leadership* becomes more in demand as the organisation gets bigger.

The role of the CEO is to lead, not manage. Leadership needs to provide the '*magic ingredient*' to the business at all times. The CEO holds the spirit and conscience of the business and should be the moral guardian of the agency, holding a particular responsibility in a creative agency to provide that leadership in a long-term and challenging manner.

Getting the balance right between leading and managing, and ensuring that the leadership focus is properly weighted to the external as well as the internal (beyond superficial decision-making), often requires the presence of a '*truth-teller*'. Someone to provide checks & balances, challenge and critique to ensure that management and implementation issues are being properly handled and executed. This may be a Chairman, non-exec, respected COO or business mentor.

Don't simply 'bank' strong successive years of double-digit growth with acceptable levels of profitability. It may be worth scratching beneath the surface of the visible metrics of success that show through a P&L review and consider whether more significant issues lurk around the corner. Such issues may severely impact future profit performance as the tensions of growth begin to appear in revenue and cost lines which have, so far, been hidden in employee disaffection, client satisfaction gaps, service disruption and quality deterioration.

Growth is good if properly planned, resourced and managed.

Juniper2 can help you evaluate your agency, measure performance and provide business mentoring support.