

Risks of Growing Too Fast

Many business people envy the companies that are on the “100 Fastest Growing” lists. The risk manager says, “Be careful what you wish for.” Sometimes what looks good from the outside can be a painful problem on the inside.

What happens when you grow too fast?

Mike Van Horn, President of The Business Group (businessownerstoolbox.com), warns “The greatest threat is the inability of management to change quickly enough to respond to new situations.” In addition to the well-documented risks related to cash flow that can toss you quickly into shark-infested waters, here are some other pitfalls:

- Losing focus on the details that are critical to your quality, customer service and employee morale;
- Out-running your vendors and service providers, your materials and equipment, your staff and their time, skills and experience;
- Damaging quality relationships with existing clients while all your focus is on getting new business.

How can it get worse?

- The loss of experience and customer knowledge when your “boomers” retire can lead to expensive mistakes.
- Outsourcing to stay lean can make sense, but watch your customer’s experience carefully. For example, if a computer service firm uses an outside cabling service for a new network and something goes wrong – whose reputation will be on the line?
- HR-type liabilities can be killers if you’re going too fast to pay attention, and you allow poor employment practices, like antiquated job descriptions, to creep in.
- Having the wrong advisors – who may understand where you’ve been, but are not experienced in where you’re going – can be a huge liability.
- Finally, anything “new” can be very expensive in the insurance marketplace. If the underwriter doesn’t really understand and thinks you might be cutting corners, you could be up-rated or refused.

What do you absolutely need now?

- Protect yourself with reliable, up-to-date systems and with documented process and procedure guides. They will go a long way to ensure:
 - Accuracy and quality in your products and services;
 - Consistency in meeting customer service expectations; and
 - Ease in training new people.
- Make sure you have the *right* trusted advisors for tomorrow’s challenges. This strategy will help you stay lean, focused on the big picture and ready to handle:
 - Forward-looking financial planning;
 - Hiring, screening and skill testing – when you need to add staff;
 - Technology troubleshooting – for expansion, upgrades and maintenance;
 - Contract legal review - for those new business opportunities; and
 - Risk management and insurance options – to avoid nasty surprises.
- Stay on top of all your insurance exposures; inform your broker frequently:
 - Update values, new locations, products and services;
 - Make sure liability limits remain adequate, and add new coverages if needed; and
 - Keep your Safety and Workers’ Comp programs energized.