Explosive Growth: Friend or Foe?

By C. Richard Colvin
Chair, Strauss Troy Corporate|Business Practice Group
513-768-9705
crcolvin@strausstroy.com

All of your friends and family tell you "these are the problems to have." They are right, but these "good" problems are difficult nonetheless.

It's 2:00 a.m., and there you are, wide awake.

You're worried about how to manage the business that you have under contact.

- How are you going to adequately staff the projects?
- Where are you going to put all of the people to do the work?
- Even more alarming is how did it come to this?

Three years before, you and your business partner drained your checking accounts, begged a local bank to lend you $10,000.00 and even looked under the cushions of the family room couch for additional capital. Now barely three years later, you have eleven employees, a multi-million dollar business, and albeit in a good way, are simply racing to keep up.

Businesses experiencing rapid growth have a unique set of issues with which to deal. While growth is the problem that every business owner welcomes, growth in an unorganized and haphazard way can expose the business to severe and unnecessary risks.

STRAUSS TROY
celebrating 60 years 1953 – 2013
attorneys at law

Numerous threats arise in a rapidly developing business such as infrastructure problems, employee issues and ownership issues.

Infrastructure will often be outgrown by rapid expansion. Infrastructure includes the physical space occupied by the organization. As the number of employees working for an organization continues to grow, space limitations become a problem. These businesses should ensure that the expansion of their space is contemplated in their lease or premises. Infrastructure problems can also involve lack of adequate software, such as accounting and billing software. Remember, if an organization is struggling to get its bills out, cash flow problems will inevitably follow and begin breaking down the organization.

Employee issues also pose substantial risk for a rapidly growing business. Various thresholds are met based solely upon the number of employees. For instance, an organization that has grown from 20 to 50 employees in a short period of time may qualify as an employer for purposes of the Americans with Disabilities Act, Family Medical Leave Act or various other State and Federal statutes. It is imperative to know when the organization has crossed these thresholds and to act accordingly.

Finally, the relations between partners in a thriving organization can become strained. Even in growing and wildly profitable organizations, problems relating to governance and succession planning can become disruptive. Take the time to get the proper corporate documents in order. If your organization is a limited liability company, make sure you have an Operating Agreement with appropriate Buy/Sell arrangements. If a corporation, make sure that your Bylaws accurately reflect all the rules necessary regarding transferability in case of events such as divorce, death and disability. Remember, people do not plan to fail, they simply fail to plan, and at no time is that adage more true than in a rapidly growing business.

Three Tips To Deal With The Potential Minefield Of Problems

As you know, the most serious mistake is the one that you don't see coming. Here are three tips to keep you on track.

- Establish a network of trusted advisors who you can lean on.This will likely include accountants, bankers, IT professionals and attorneys as well as any other individuals who may be necessary to advise on your particular business.
- Establish solid internal policies and procedures that are well thought out enough to handle growth, yet flexible enough to deal with the constantly changing environment.
- Listen. Listen to the suggestions of your employees, co-workers and others in the business community. Different perspectives are necessary to help you successfully navigate your rapid expansion.

Do these things and your business will continue on its upward trajectory, and will not fail solely because of the problems associated with rapid growth.

STRAUSS TROY
attorneys at law

Profit Distribution

Seek Business Partners

Financially Material Contracts

Insurance Protection

SALES GROWTH

Reinvestment Options

RISK MANAGEMENT

Patents/ Trademarks

©

START-UP

Succession Planning / Buy-Sell / Exit Strategies

Sales Contracts

Fed/ State/ Local Regulations

OPERATIONS/ SALES/ MARKETING

Real Property Lease/ Purchase

COMPLIANCE

Manufacturing/ Distribution/ Licensing Agreements

Supplier/ Vendor Contracts

HR

Labor/Employment
ADA, FMLA, Unions

Comp/Benefits

Safety/Health
OSHA

STRAUSS TROY
attorneys at law

STRAUSSTROY.COM   OH 513.621.2120   KY 513.621.8900