Learn to Grow

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How enterprises
successfully expand

Successful enterprises grow and therefore also become more complex and more diverse. At some point, the old – and so far successful – ways of organizing and managing are no longer sufficient. Where and how can managers, who have to sustainably steer this growth start to align organizations and their leadership to meet these challenges?

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Enterprises must establish three substantial development steps in order to sustainably secure growth in the organization:
1. From pioneer enterprise to professionally managed organization.
2. From »original headquarters with branch offices« to an international group.
3. From informal information flow to professional communication.

From pioneer to pro

If the organization becomes large and complex, if the founder leaves the company or if investors have more say and make more demands, it can result in a »management crisis because the company was too successful«. Typical symptoms for this are:
— Ambiguity and disorientation relating to the strategic orientation.
— Demand for clarification of competencies and interfaces.
— Much longer than usual decision-making processes.
— Lack of management skills particularly at a secondary level.

In order to develop a professional management structure, the first step has to be to develop the management team, which from now on will have more responsibility and clearly defined scopes of duties and spheres of competence. In this process the personal development of managers from recipients of orders to autonomous players is a huge challenge. In addition, the management team must focus attention to one common goal. A common understanding of strategy, organization and guidance of the enterprise by the key players provides orientation. It also offers far more flexibility than detailed, but rigid, function and process descriptions, which are often requested subsequent to any growth scenario.

An additional challenge is creating a culture and mindset of professionalism whilst at the same time, maintaining the success factors from the pioneer times (flexibility, »rolling up your sleeves and getting the job done«, emotional connection to the enterprise etc.). This step can best be supported by the introduction of professional management tools – e. g. tools used for strategic management.

From local hero to world star

Following dramatic growth, sooner or later the point is reached where the whole conglomerate, from new divisions, sales and production units become difficult to manage. Managers from the headquarters complain about excessive workloads; personnel in the »branches« build their own empires. In this situation, transparency of the aspired distribution of responsibility and authority in the group is essential.

The fundamental structure (e. g. centralized/decentralized) and development strategies should be communicated clearly and concisely. Even if no legal holding structures are introduced, there must be a clear demarcation of organization and management structures between group and local functions. The parent company often loses its dominant role in this situation. Not every overarching task requires a strong (and expensive!) central function for the whole group or a complex matrix structure. Often a gradual development of group functions is sufficient and more efficient, e. g. in the form of networks or collaborative teams. A typical exception is IT. Here, a strong central function is usually needed early on, in order to prevent uncontrolled growth and, thus, cost explosions.

The enterprise turns into a good group organization when the idea of the driving »parent company« and subordinate »branches« is overcome and replaced by a cooperation based on personal contact. This is also demonstrated with symbolic acts: Where do the management meetings take place? How are management positions at group level filled? What is the company language?

From the conversation to dialog

In former times spontaneous or casual communication worked automatically. However in expanding enterprises, communication becomes more difficult. Nevertheless, in this situation, »more communication« in the old mindset alone is not going to lead to the desired result as communication today is more professional, goal-oriented and systematic when arranged on three levels:

1. Professionalize line communication
The majority of communication in organizations goes through the hierarchy – thus, here lies a substantial lever. Management can be well supported in this area through well prepared documents and sufficient alignment processes, so that the messages are immediately understood and passed on by everyone involved. A dialog in the management team about employee feedback generates commitment, as well as transparency of what really hit home with the employees.

2. Create new structures
New, intra- and interdepartmental tasks and functions need their own communication structures, e. g. overarching market, technology and product teams. If these networks are informal or not well established, the formal communication structures will need to be that much stronger.

3. Communicating the changes
A dialog with the key players about the target image and the new structures, roles and values in workshops and large groups usually has substantially more impact on change than any one-way information and/or a beautifully phrased organization manual.

One more tip before closing

Honest recognition and appreciation of all that was in the past – after all, it has provided the basis for the company's success up until now! – makes it easier to accept the fact that you have to say goodbye to familiar behavioral patterns. ●

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»It is a big challenge to create a culture of professionalism whilst maintaining the success factors from the pioneer time.«