How To Avoid The Growing Pains Of Company Expansion

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What do a $3 billion retail chain and a small local coffee shop have in common? Growing pains. The retailer has been entering new markets and adding new stores at a frenetic pace, and is struggling to keep up with all the changes involved. The coffee shop was recently sold to new owners who are trying to expand the fledgling business with mixed results. I know both of these brands well — one is a client and the other is in my neighborhood.

The problems both companies are experiencing are not uncommon when leaders try to expand their businesses. Whether opening new units, introducing a new product, executing an acquisition, or expanding the brand footprint, companies often experience growing pains. In the case of the large retailer, its primary challenge is maintaining its culture as it adds thousands of new employees who haven't previously been exposed to the brand or to company leadership. For the local cafe, the changes it's implemented have not been well-accepted by long-time customers who prefer the way things used to operate there — even if they were slow, quirky, and somewhat inconsistent.

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Fortunately the executives I interviewed and researched for my new upcoming book, *Extraordinary Experiences: What Great Retail and Restaurant Brands Do*, have experienced similar problems — and had some wise advice for pursuing and executing growth.

Set growth goals based on your capability not opportunity. Unlike the large retailer who has had to place unqualified people into leadership positions and hire people who don't fit its culture just to ensure its new stores are staffed, Joe Tortorice Jr., founder and Chairman of the Board of Jason's Deli, a fast casual restaurant chain, ensures his company has the leadership capability and staff before it opens new locations. "We're going to grow as we have people to grow with," Joe told me. "Our growth isn't mandated by some analyst on Wall Street. It's not mandated by a bank. It's not mandated by anyone. We're going to grow only when we feel we can grow. That has allowed us to be effective and to put our leadership in positions that facilitate our growth." When Jason's Deli enters a new market, it transplants managers from existing restaurants to ensure the culture can be quickly replicated. And it offers in-depth training on the brand's core values as well as leadership principles to new managers and franchisees.

Explain the changes to customers — and ensure your staff can do so too. The new coffee shop owners removed items from the menu, raised prices, and changed recipes without warning or explanation. While the changes might have been better for customers ultimately, the lack of communication from the owners left a void which customers quickly filled with complaints on Yelp. This mistake contrasts sharply with how Sally Smith, CEO of casual dining restaurant chain Buffalo Wild Wings BWLD +0.00% ensures her company engages in thorough communication before instituting a change that may be perceived as a negative or may not be understood by customers. For example, when she and her leadership team decided to reverse the standard industry practice of serving wings by the number and instead use weight to determine portion size in order to address escalating wing costs and size variability, "A lot of people were not very excited about making this change because we had sold wings by the piece for 30 years," she explained. So in addition to carefully crafting wording on their menus to indicate the change, they launched a program to educate all servers so they'd be prepared to answer customers' questions. As a result, the company received very few complaints from employees and customers.

Don't try to appeal to everyone. Oftentimes companies pursue growth because they want to extend their brand appeal to new customers. This was probably the reason why the coffee shop owners got rid of the kitschy decor on its walls (it was definitely an acquired taste). They also introduced fruit smoothies and other trendy products. These moves seemed to alienate customers who had faithfully patronized the store for years because they thought the changes took away its unique personality and made it more of a mainstream cafe. The store may have attracted new customers but it lost many others. Sol Price, the founder of the company that became Costco, cautioned against casting too wide of a net for customers. He once told an interviewer, "A store that tries to be all things to all people will end up being nothing to anyone. A retailer reflecting honesty, credibility, and a definite direction that can be understood by its customers and vendors will have a good chance to make it." He designed Costco to appeal to a certain type of customer, and as a result, he created an efficient and exceptionally-operated business.

Engage your local community. Expansion usually involves standardization — company leaders want to realize economies of scale so they try to minimize the variation between their new stores or offerings. But, while growth should indeed produce greater efficiency and asset utilization, companies that leave room for tailoring their operations to the specific communities they enter tend to have better success with growth. That's because emphasizing local ties and appealing to local tastes fosters customers' sense of personal identification with your brand. This is something the grocer H-E-B learned as it expanded into the Houston market. It has found great success in customizing its stores and product offerings to suit the neighborhoods it does business in. President Craig Boyan explained to the Houston Chronicle, "We want to make our stores really resonate with our customers and make each store different in every neighborhood." Engaging with your local community produces increased relevance and credibility for your brand as you grow.

Growing is never easy — but with these principles in mind, you can avoid some of the growing pains that the multi-billion dollar retailer and local coffee shop — and many others — have experienced.

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