PRIORITIES FOR GROWTH

A DOZEN CEOS OF MIDSIZE FIRMS SHARE THEIR PRIORITIES FOR GROWING THEIR BUSINESS OVER THE NEXT 12 MONTHS

INSIDE: IN THE MIDDLE OF THINGS David Frieder, U.S. Bank's Middle Market Payments GM, discusses the impact new payment technologies have on the bottom line

MARTIN RAWLS-MEEHAN

Company: Reverie

**Industry:** Mattress Manufacturing, Sleep Technology

Headquarters: Bloomfield Hills, Michigan

When CEO Martin Rawls-Meehan is asked to identify his company's primary competitor inside the mattress industry, he rejects some of the sleep world's best-known brands and instead advances a less obvious rival: Starbucks. According to Rawls-Meehan, consumers have for years been remedying a poor night's sleep with highly caffeinated cups of coffee.

"We see a $15 billion mattress industry that should really be a $50 billion industry, so we must look beyond the traditional competitors and educate consumers. Great sleep versus bad sleep matters to your health as much as eating organic foods versus eating McDonald's, so education is critical. If we can get this message out there and have people approach this category differently, it will in leaps and bounds change the way that our entire industry does business. Getting this message out would be our first priority. The second is that while we've got some really great products right now, we need to get some more industry buy-in on them. You always want this process to be faster, and the next 12 months are really going to show how important this type of technology is, I believe. In no particular order, then, getting our new tech into the marketplace successfully and continuing to deliver the message about the power and importance of sleep are our top priorities." ●

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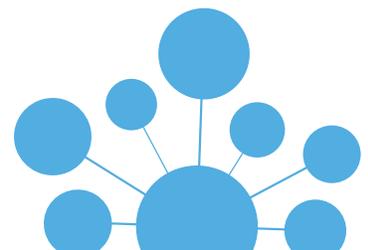
ROBERT DOUGLAS

Company: BioConnect

Industry: Biometric Software

Headquarters: Toronto, Ontario

"There are three lessons that I have learned about hypergrowth, which I'm happy to share. The first is brand, the power of brands to scale. The second is the network effect. Siebel Systems was written up in the *Harvard Business Review* in the late 1990s, early 2000s. It did a case study about scaling through partnership. I lived through that experience and learned what the playbook looks like when you're seeking massive scale. How do you build an ecosystem and build the network effect? The third is that it's about customer-driven product and the fact that there are technologies that are built based on markets or based on technologies or based on customers. I would say that our two main priorities here include continuing to build our brands and continuing to build our network effect or channel partner ecosystem. Third and critically important is to triple down or even quadruple down on the development of our technology. This area continues to require a lot of investment and resources, and we must put great attention there. A fourth one is related to the type of customer with which we're working today. These include the largest corporations in the world, and we as a company must scale up our ability to deliver our solutions to these large enterprise deployments." ●

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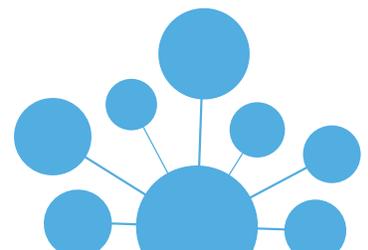
LARRY HEARD

**Company:** Transwestern

Industry: Real Estate

Headquarters: Houston, Texas

Having served as Transwestern's CEO since 2003, Larry Heard has led the commercial real estate and consulting services firm to open multiple chapters of new growth as well as traverse the trough of an economic downturn. Today, the midsize firm has more than 2,200 team members and offices in 34 cities nationwide.

"We believe that there's a big opportunity in the healthcare sector, so we're putting significant resources into the real estate side of healthcare. We believe that we've come up with two new approaches on the tenant side and the agency leasing side that are going to be market leaders—or market setters—around our Transwestern Consulting Group and our agency 2.0 practice. What we've tried to do is identify those areas where the wind is at our backs and where we have a competitive advantage today and ask the question, 'How do we exploit this and actually expand in those areas over the next year or two?' We believe that there's a lot of upside there, and it's part of our commitment to continually innovate and continually come up with new ideas on how to do things." ●

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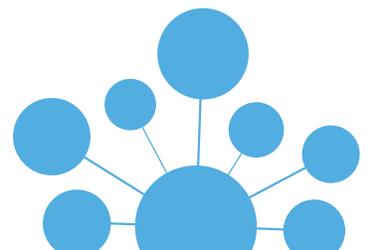
ANDREW MCGRAW

**Company:** Adelman Travel Group

Industry: Travel

Headquarters: Milwaukee, Wisconsin

Andrew McGraw, CEO, Adelman Travel Group, told us that driving growth in the Digital Age has required the 30-year-old firm to adopt not only new technologies, but also new approaches when it comes to managing and developing talent. Meanwhile, customer satisfaction has become Adelman's metric-of-choice when it comes to opening a new chapter of growth.

"Our priorities for growth are first and foremost getting the right talent in the right spot. It starts with talent. Second, it's making certain that we've actually created the right product sets and value proposition for the business to be successful, so that our people can go to market with something powerful and incredibly compelling. The third is making sure that we actually have the infrastructure and the ability to deliver. The fourth is making certain that we actually deliver a high level of service. This means making sure that the NPS (Net Promoter Score) stays at a very high level. I think that if we do these things really well, we'll get on the growth trajectory that we want. These are coupled with some of the other things that we're doing, including our small business platform, which is a whole different market segment." ●

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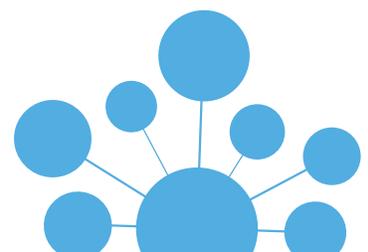
ALAN RICH

**Company:** Chrome River

Industry: Software Applications

Headquarters: Los Angeles, California

When it comes to growing a business, CEO Alan Rich says, business owners should write down their business ideas and quickly put them under the noses of target customers. "Would you buy it?" is the question that Rich says Chrome River's cofounders began asking 10 years ago, triggering discussions that more fully exposed the challenges that companies face when managing their employee expenses. Rich has steadily propelled the company upward into the ranks of middle-market firms, where Chrome River today competes against application vendors many times its size.

   "One of the challenges that we have faced is creating an exciting identity in the market. I want people to know that Chrome River doesn't just have a couple of features that the other guys don't have. We have a completely different vision for where we can take our product and our market. My big priority for the next year particularly—my priority as CEO—is to communicate this vision both internally—so that everybody in the company has it top-of-mind—and externally to the market. We must deliver on this vision consistently. I've always felt that there's a difference between a road map and a vision, and at Chrome River, we have a clear vision about what we can do to take our product to a whole new level. I want to make sure, as a priority, that this is what we achieve this year, and this means getting this knowledge out to everybody." ●

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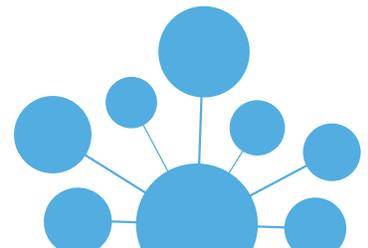
PHIL ROOKE

**Company:** Spreadshirt

Industry: Mass Customization

Headquarters: Berlin, Germany

In the beginning, it was about T-shirts and a design-your-own website. Today, Spreadshirt, based in Berlin, Germany, is a $100 million business commonly classified as a self-expression global e-commerce company. CEO Rooke has led Spreadshirt to triple its size and used its employee empowerment discipline to fuel the company's customer-pleasing growth engine.

"Our #1 company value is simplicity. Our #2 company value is actually empowerment. We work hard to empower people at every level to be in charge of their job, so that they have more control. We formed small teams in the factories where they're printing shirts, and they are empowered to better organize themselves to be able to achieve their numbers and succeed in their roles. Over the next 12 months, we expect to have about 30 percent growth. In particular, we are concentrating on profitable growth so that our profit will probably grow 60 to 70 percent over the next 12 months. This growth is within regions where we already are, but we are setting up for a much bigger global expansion as well as acquisitions that will occur on the other side of these 12 months." ●

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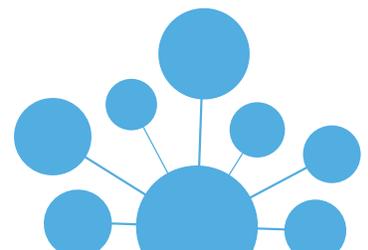
Q&A: WHEN GROWTH IS TOP-OF-MIND, AUTOMATION IS SECOND NATURE

Dave Frieder has responsibility for P&L, strategy, product, marketing, sales, and relationship management. His team manages over 3,000 relationships with middle-market organizations in the U.S. and Canada, representing over $10B in payment volume.

In the growth-minded middle market, visionary executives are known to relentlessly embrace new technologies to transform their operations and create innovative products and services. Interestingly, at the same time they often maintain some older and inefficient processes. Case in point: paper checks. All of that labor-intensive paper-shuffling and reconciling in the back office can weigh down even the most stellar operations out front. We recently talked with U.S. Bank Middle Market Payments General Manager Dave Frieder about how growth-minded business leaders can leverage automated payment solutions to improve their bottom-line performance.

MMM: As middle-market companies grow, what are some typical areas related to cash and payments management where they may find room for improvement?

Frieder: If the top line is growing, it's very likely that the volume of payments activity is growing along with it: more invoices from suppliers, new vendors to set up and pay, and new customers from which to collect. There are really two options: Handle the increasing number of payments more efficiently or hire more people to handle them manually. Most CFOs to whom I talk prefer the former.

The good news is that there is a vast array of tools available to automate and "electronify" payments (both Payables and Receivables).

We've come a long way since the CFO personally signed every check that went out the door—although many still do. Expense management tools like those provided with many commercial cards offer visibility into spending as well as transaction data that can make it easier for organizations to effectively manage expenses. Most are mobile-friendly and easy to use. Further, paying suppliers with a commercial or virtual card can provide cash float—up to 45 days—something that traditional methods don't provide.

MMM: On the topic of controlling expenses, what are some considerations that a middle-market business should make to help ensure that its employees comply with their spending guidelines?

Frieder: Strategically speaking, it's important to remember to help your employees connect expense guidelines and policies to positive business outcomes. You don't want spending guidelines to be perceived as arbitrary, or they won't be followed. More tactically, giving your employees guidelines that clearly outline what's considered a reasonable expense is an essential first step, whether for purchasing or travel and entertainment. Be as specific as you can regarding the types of allowable expenses and maximum spending levels. Mandating that employees pay with corporate cards whenever possible can actually give you more control over spending, as these programs allow you to set spending parameters based on individuals' job duties and budgets. For example, a maintenance manager might be able to use a card only at a certain category of merchant, while a sales rep might use their card only for T&E. One big payoff from employees using corporate cards is an abundance of detailed data. Make the most of it by proactively—and frequently—reviewing how company funds are actually being used.

MMM: Not all middle-market businesses have the same appetite for adopting new types of technologies and automation as they grow. When it comes to automating payment processes, which aspects of the business and cultural attributes should be taken into consideration when tailoring a solution?

Frieder: A significant percentage of middle-market businesses are still paying most invoices with paper checks. People get comfortable with what they know. But that hesitancy could come at the cost of efficiency. I think that it's important to understand how much time your finance team spends on tracking and processing payments. There isn't a lot of value-add to doing it the "old-fashioned" way. Automating the invoice and payment process—even partially—will allow employees to become more efficient and spend less time on manual tasks and more time on strategic ones. I think that this would be a welcome improvement in any business culture. If your business already has adopted payment automation, review your

electronic and virtual card payments might open the gates to fraud and irresponsible spending. The data is pretty clear that electronic and card payments reduce check fraud and misuse. They also provide controls and the tools that you need to more closely monitor corporate spending and budget tracking. Another misconception would be that adopting payment automation is complicated, arduous, and time-consuming. Often, implementation is simple enough to require only minimal assistance from IT and takes days rather than weeks. When organizations find the right system, the ROI is obvious.

MMM: Meanwhile, the payment solutions landscape is evolving at a rapid clip. For those businesses that have been slow to adopt, is there a new urgency for companies to become more accepting of automation?

Frieder: Most businesses experiencing growth have had to innovate and evolve—whether it is improving a product/service,

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processes regularly to see where additional streamlining of processes is possible and to be aware of new technology.

MMM: What are some typical misconceptions you find that growing middle-market businesses have about new payment technologies?

Frieder: The biggest misconception would be that suppliers won't accept electronic or card-based payments. The increasing popularity of electronic payments among buyers has resulted in suppliers also recognizing the value of eliminating paper and manual reconciliation. The second misconception is that adopting

adding products and services, or making changes to supply chains and the customer experience. Your podcast interview with Andy McGraw from Adelman Travel is a great example. Andy recognized the need to move his business from a model based on telephony to one that was digital—in order to keep pace with changes in the travel industry. There are many ways in which a company can innovate and adopt change. Why should managing payments be any different? I think that the rapid changes we're seeing in the payments landscape will help to nudge the late adopters—people don't want to risk getting left behind. ●

LANCE RUTTENBERG

**Company:** American Textile Company

Industry: Textiles

Headquarters: Duquesne, Pennsylvania

Seven years from now, when Lance Ruttenberg blows out the candles on a birthday cake celebrating his company's 100th birthday, the CEO of American Textile Company will be savoring an industrial hallmark that no *Fortune* 500 CEO has ever known. Lance and his brother, Blake, are the third generation of Ruttenbergs to own and lead the textile firm first established in 1925. While the company may not be in the same weight class as other successful firms with generational–family origins (Ford Motor Company, IBM Corp.), ATC's longevity is a testament to an ownership/management model that has successfully served an industry, a family, and a devoted employee population for nearly 100 years.

"We are going to be building out our brand portfolio. We've been successful over the years at building our private label business, which we're proud of. We are going to continue to grow that and focus on it. One of the areas in which we would like to become more active is strategic relationships with different brands.

"We have our own brand now, AllerEase, which is our allergen barrier bedding line of business, in which we will be investing very significantly over the years to come. We are also partners with Sealy. These are going to be relationships in which we will be investing, in conjunction with our private label business. And there are a few others that are in the queue. We'd like to strike a nice balance between the private label business we do and the branded partnerships that we have. We think that this provides us opportunities to go to different channels and to be in different categories in different ways, by having both of those options available to us. That's our strategy right now when it comes to growth in the foreseeable future."
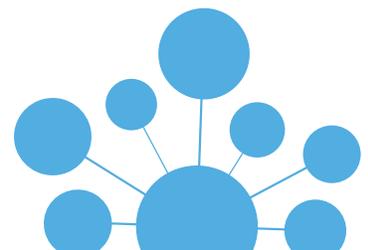
MATTHEW SCHILTZ

Company: Conga

Industry: Software

Headquarters: Seattle, Washington

As a seasoned middle-market CEO, Matthew Schiltz has conditioned for future growth a variety of technology firms, including DocuSign, Blue Box, and Tier 3. Now, as CEO of document solutions firm Conga, Matt explains how talent remains the singular ingredient that sets one high-growth firm apart from the next.

"I am confident in our product space. We have chosen a space where the demand is really strong. We have the right partner in Salesforce and the right investor. What drives me now is making sure that we continue to recruit the best people. We continue to develop our employees. We continue to give them the resources and the support that they need to do their best work and to maintain these kinds of growth rates.

"There's a lot of creativity around how we become even more people-centric as we continue to grow. How do we get these large growth rates without diluting our hiring or without ruining what is special about our company? The best companies scale quickly, but they keep their great attributes. For us, this begins and ends with people. Our people are amazing. They're the ones who create the products. They're the ones who delight customers. They're the ones who solve amazing problems for customers. That's what drives me. I'm a people person. People come number one, number two, and number three in my book. If we continue to do this, we continue to win. We win for our customers, we win for our employees, we win for our shareholders." ●

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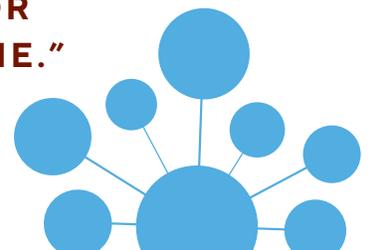
BILL SANDBROOK

Company: U.S. Concrete

**Industry:** Concrete

Headquarters: Euless, Texas

Ten years ago, U.S. Concrete's future was highly questionable. As stewards of a roll-up of ready-mix concrete businesses, the company's management had spent a decade buying up smaller businesses while explaining to Wall Street that it would someday soon be the largest publicly traded single-product-category company traded domestically. However, when the housing and construction markets plunged in 2006/2007, the company stumbled onto a tortuous path that would eventually lead to a bankruptcy filing in 2010. Enter Bill Sandbrook, a seasoned industry executive, who empowered the firm to reestablish its footing along the building industry's growth path.

"When I arrived, the company was very centralized and the operations were run at the corporate headquarters in Houston, Texas. The nearest ready-mix plant was in Dallas, about 200 miles away. We had operations on both coasts, but because of their very stressed financial condition, very minor operating decisions and approvals for minor spends on repair and maintenance had to be run through headquarters. It was really a disempowered workforce. A lot has happened since then, but we're now actively looking for another region so that we can dial down and replicate our model in another area of the country. I think that it's prudent for us now to expand into some other parts of the country, and we're well on the way to accomplishing that. I've talked about it on my last two earnings conference calls.

"And we're now finding new areas of operations where we can repeat and replicate the model that we've developed." ●

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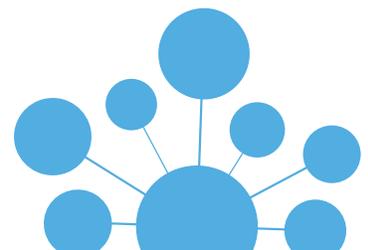
PATRICK LLEWELLYN

Company: 99designs

Industry: Online Graphic Design

Headquarters: Melbourne, Australia

Patrick Llewellyn, CEO of 99designs, traced for us the trajectory of the world's largest online graphic design marketplace, with an annual revenue run rate of about $60 million and approximately 121 FT employees in the U.S., Australia, and Germany.

   "We've been reasonably undercapitalized, so it has been a very interesting journey for us. If you think about how our story correlates to those of other middle-market businesses that perhaps haven't taken on investment and have organically grown, I think that we share some attributes there. We've had to be relatively conservative in the way in which we have thought about growth and invested in growth. We've learned a lot of lessons, we've done a lot of things. We talk about how there's a minimum viable approach to entering new markets, and this is something at which I think we've gotten quite good. We're now in eight languages, we have a community of over a million designers, we've had customers from over 192 countries.

   "Our priority for the future is to ensure the continuation of understanding how to profitably acquire customers. We think that we have the best-quality community in the world today, but we want to continue to advance this. We want to do this by utilizing data. We also want to do this by segmenting our offering and building specific tools and skills for the client. That's kind of our big investment this year. It's around the profitable acquisition of customers, improved efficiency, and improved quality of all outcomes for both sides of our community. We're always thinking that this is a two-sided market. We always need to be thinking about 'How do we improve our design customers? How do we improve our customers who are acquiring design?' And then the third leg is, 'How do we evolve to position our service and our offering and our community for this middle-market customer segment that needs lots and lots of design on an ongoing basis?' A lot of it comes down to brand awareness and having them understand that we're actually a solution for them." ●

TOM KEMP

**Company:** Centrify

Industry: Security Software

Headquarters: Santa Clara, California

When Tom Kemp, CEO, Centrify, joined us, he spoke of a burgeoning cybersecurity opportunity that has propelled his firm beyond $100 million in annual sales and into a realm of organic growth that few industries can match.

"Our priorities are to clearly maintain the high amount of growth that we've experienced, and we're actually pretty unique in the technology space as a private company. We're actually cash flow–positive right now, so we want to increase this as well and have a good growth and profitability story. What we're trying to do is, within the identity space, to add more solutions, additional products, but to do so organically. I think that other people try to, you know, cut corners, or try to think that they can do it via acquisition, and oftentimes the customers see that it's a bunch of parts, as opposed to having an integrated solution. We've taken more of a unique tack by trying to build things organically. There are areas adjacent to our core space in which we want to come out with some more product, all while growing the underlying business and continuing to leverage channel partners to help give us leverage in the market." ●

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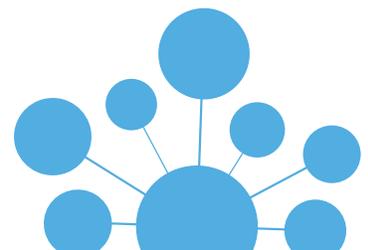
ART BARTER

**Company:** Datron World Communications, Inc.

Industry: Communications Equipment

Headquarters: Vista, California

CEO Art Barter transformed Datron from a $10 million company to a $200 million company in just six years by putting into practice the behaviors and management dictums of servant leadership. Doing business in more than 80 countries, Datron has customers that include governments, military organizations, public safety organizations, security forces, and commercial industry in general. Says Barter:

   "Early on, my senior team asked me, 'How fast do you want to grow this year?' I said, 'I'm not going to tell you how fast we want to grow.' 'No, we need you to tell us 10 percent, 15 percent, 20 percent.' I said, 'We're going to go serve our customers, and we're going to let them decide with their checkbooks whether they want to come back to us for future business.' So my first response was that we serve the customers. We put them first. We do what they need. Provide what they need. Help them be successful, and they're going to help us be successful.

   We're looking to our customers that use our analog products and asking them how we can upgrade them into this digital world. We're going to remain compassionate with everybody we deal with. The reason I mention this is that we do business in a lot of countries that have to deal with events that we don't see happen here in the United States. We do business in countries where there are a lot of demonstrations, a lot of upheaval due to wars. We have to be compassionate about what they need and how they need it and make sure that we're dealing with people who want to save lives with great communications and not take lives with bullets. We want to help the people who want to save lives, and to do this, we have to be compassionate about what they need and at times put others above ourselves." ●
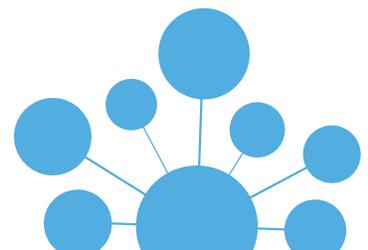
MIDDLE MARKET THOUGHT LEADER "PRIORITIES FOR GROWTH"

It's about inspiring you to take a leadership leap and open a new chapter of growth for your middle-market company. We know that by learning from the failures, the Ah-ha! moments, and the successes of other middle-market business leaders, you can take inspired action.

Middle Market Media, LLC, is an audio-first media company focused on helping B2B marketers reach growth-minded business leaders inside the digital realm. Our brands include CFO Thought Leader (Finance), Middle Market Thought Leader (Growth), and Workplace Champions (Human Capital). Middle Market Media, LLC, 58 Sunnsyide Avenue, Pleasantville, NY 10570

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Jack Sweeney is a career business journalist and founder of Middle Market Media, LLC, a leading creator of on-demand content serving middle-market audiences. As an audio-first media company, MMM is dedicated to elevating the voice of finance and C-suite leadership inside the digital realm.

Priorities for Growth

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