The Fast Lane

There are tried-and-true rules for growing a company. And then there are entrepreneurs who pay no attention to the speed limit, put their engines in overdrive and blaze their own paths to furiously fast growth.

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Entrepreneurs don't follow rules--they break them. Rules about tradition, rules about convention, and rules about what can and cannot be done--they all fall before the perseverance and innovation of entrepreneurs.

At least that's the legend. But what about the rules for creating a fast-growing company? Are there certain financial, market or other conditions that must be met for a company to grow rapidly? To find out, we asked experts in small-business growth what they saw as the rules for rapid business expansion. Then we talked to successful fast-growth entrepreneurs for their takes. We found that entrepreneurs do not all take the same paths to fast growth, but they do all believe that rules were made to be broken.

1. You Must Have Big Money

Of all the conceptions about what it takes to be an entrepreneurial success, access to bountiful sources of investment capital is probably the most widely held. There are good reasons for that, says George Foster, Wattis professor of management and director of the Executive Program for Growing Companies at Stanford University in Palo Alto, California. "Dollars clearly enable a company to invest in research and development to fast-track a process," Foster says. "Dollars enable you to hire a sales force of 40 as opposed to 10."

But starting a business with little capital can also work--if you find innovative ways to cut costs. Tampa, Florida, entrepreneur Stuart Suddath, 34, started self-service moving company Movex Inc. in a spare bedroom of his father's home in January 2000. Its customers save money by loading their own household goods onto professionally driven trucks supplied by Movex. The company did well almost from the start, generating $2 million in revenues its first year. In 2004, Movex made $13.7 million with just 34 employees.

The company's major outlays include advertising its nationwide service and developing software to monitor the moves in progress. But other than that, capital outlays have been minimal. "The real kicker of the whole thing is that Movex is a non-asset-based business," says Suddath. Rather than rent or buy a fleet of trucks, Suddath contracts with independent truckers and trucking companies and monitors their locations, keeping them fully loaded at all times. "It's a lot cheaper than owning the trucks," he says. "We'd have to spend $100 million to haul what we need to get hauled."

2. You Must Have a Deep Management Team

Another standard ingredient in the fast-growth recipe is a broad and deep management team with high-end skills and experience--"a resilient, focused, top-shelf management team" is how Foster puts it. "Until you have been knocked down and shown you can pick yourself up, take an obstacle and overcome it and make an opportunity of it, it's hard to become a viable company," he says.

Executives of Round Table Group Inc., a business that connects independent subject-matter experts with attorneys and money managers to help with litigation support and investment research, have certainly been resilient: All three co-founders of the Chicago company have been there since it was founded in 1994. The organizational chart is not, however, particularly deep--the company still has just 12 employees despite growing to $6 million in 2004 revenue, nearly doubling 2003's $3.6 million. And CEO Russ Rosenzweig was just 24 and fresh out of college when he co-founded the company.

Rosenzweig says that keeping the business simple and focused has helped grow revenue rapidly while keeping the management ranks thin. "Having a simple story and a focused customer segment were the two key ingredients for fast growth for us," says Rosenzweig. "It can't be a complex business that's hard to explain. You need to be able to explain yourself in a sentence."

3. You Must Have a Technological Competitive Advantage

The dotcom boom may be long gone, but the idea that proprietary technology is a prime component of the jet fuel that powers fast growth is still around--and for good reason. "We like a technology-based competitive advantage because it allows you to create wealth, not just move it around," says venture capitalist Jack Biddle, co-founder and general partner of Novak Biddle Venture Partners in Bethesda, Maryland. When a company has a technological edge, it can essentially create brand-new markets for its products and services, he explains. Then it doesn't have to take sales away from established competitors to grow.

It might be said that Karen Booth Adams succeeded in spite of technology. The 35-year-old from Atlanta had founded four startups in the IT field when she and a partner began PoshTots, an online retailer of baby décor items, in November 2000. At that time, of course, the fuse on the dotcom implosion had already been lit, and yet the company not only survived the blast, but also grew to 22 employees and a projected $10 million in sales for 2005.

Despite Adams' tech background, PoshTots had no particular technological edge over its competitors in online retailing. And the company's plan to sell furniture such as cribs and beds online was, at the time, almost an icon of internet futility, having been the same strategy adopted by a number of spectacularly unsuccessful dotcom ventures. PoshTots prospered for the simple reason that no one, online or offline, offered what Adams did--a single, convenient place to go for high-end children's décor and furnishings.

"We picked a niche, stuck to it and did it the best," she says. Another factor was that Adams' partner, Andrea Edmunds, skillfully made the most of the firm's celebrity clients, and nurtured relationships with media outlets that provided lots of free publicity for the upstart retailer and its sometimes amazingly pricey products.

4. You Must Tap a Hot Market

Being in a rapidly expanding market can make up for a lot of mistakes. But is it a requirement for rapid growth? In addition to a new technology or new application of technology, Jerome Katz says it usually is. "[You need] a tipping-point-type market, where something has been building and all of a sudden it's hot," elaborates the St. Louis University Coleman Foundation Chair in Entrepreneurship. Entrepreneurs can choose to market aggressively and ramp up demand themselves, or husband their resources and build slowly until the market reaches a tipping point on its own. Either way, a fast-growing market is practically a prerequisite for a fast-growing company, Katz argues.

It's a persuasive argument, although it doesn't account for companies like Movex. "The industry is stagnant," concedes Movex founder Suddath. "But it's a $12 billion industry." Under that roof, Suddath, who previously worked in his family's full-service moving business, found ample space for innovation, essentially creating a new market for a service midway between full-service movers and drive-it-yourself truck rentals. The CEO thinks the sky's the limit. "We're hoping to brand this type of service," he says. "People say they're going to U-Haul something. We're hoping they'll say they're going to Movex it."

5. You Must Have the Desire

Inside the chest of every fast-growth entrepreneur beats a heart full of passion for business, says Jeff Williams, president of business startup training and coaching company Bizstarters.com in Arlington Heights, Illinois. Williams is most scornful of the pantheon of fast-growth idols, including the requirements for lots of money, teams of managers and best-in-class products and services.

But after helping more than 4,000 small firms get under-way, Williams does feel that a true passion for the business is essential. "It is so demanding, and almost always takes longer to be rewarded than you think it would, that it requires passion," he says. "You truly love the product or service, you love the selling, you love the customers, you don't even mind customer-service problems."

That's one rule Adams agrees with. "[Passion] plays a role in every startup if they're successful," the serial entrepreneur says. "You'd better be tenacious and you'd better be determined to make that business successful no matter what--even if it requires a lot of sacrifice and late hours."

So is passion the truly unbreakable rule for fast-growth companies? Perhaps, but it depends on what your passion is for. Venture capitalist Biddle points out that for most companies to expand rapidly, the founders must have more passion for growth than for control. "You have to distinguish between those companies that have the capacity to fast-track and those that are willing to do it," he says. In many cases of unfulfilled potential, he says, the reason is that the founder cared more about keeping control than experiencing growth.

The Rules About Rules

Part of the reason that the rules of fast growth appear to frequently be broken may have to do with sheer numbers. After all, there are millions of entrepreneurial businesses in the United States, all unique. "There isn't just one way," Katz says. "You can pick any 50 characteristics you want, and there are a hundred thousand people that fit that model." At the same time, there probably isn't a model without a hundred thousand exceptions.

Is your company one of those exceptions? Adams urges entrepreneurs not to be too quick to follow the advice of investors. "We were fortunate that we had already had some successful startups, so we didn't need venture capital to start it up," she says. "But had I presented [my idea] to [VCs] at the time, they would have laughed me out of the room."

Rule breaking may, in fact, be inescapable for fast-growth entrepreneurs, many of whom attribute their success specifically to being unlike anything that has ever been seen before. "It's something different-a hybrid," Suddath says of Movex. "We're building an industry where there wasn't an industry before."

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