AT THE FIRST GOLD COAST EXECUTIVE FORUM, THREE LOCAL EXECUTIVES TALK ABOUT THE FRANTIC PACE OF RUNNING A HYPERGROWTH COMPANY – ALONG WITH THE ADRENALINE. AND THE PERILS.
WHAT IS THE GOLD COAST EXECUTIVE FORUM?
It is a series of gatherings in which C-level executives and owners of substantial businesses are invited to attend an informal program after work. The first forum was held May 1 at the Four Seasons Hotel Westlake Village.

THE PRODUCERS
Gold Coast is a co-production of the San Fernando Valley Business Journal and Brent Reinke, an entrepreneur and business attorney. Reinke operated a previous iteration, called the Gold Coast Business Forum, for 15 years until 2014.

THE SPONSORS
Cresa; Growth Partners; and Hobhouse, Carlin and Van Trigt.

THE TOPIC
Hypergrowth companies: Challenges and solutions to managing growth. Three local executives participated in a panel discussion.

THE PANELISTS
Michael Archer is the chief executive of ERP Power in Moorpark. The fast-growing company, established in 2004, makes LED electronics.
Skyler Ditchfield is the co-founder and chief executive of GeoLinks. The Camarillo firm is a phone and internet service provider. The company has grown at least 100 percent a year in each of the past five years.
John Maier is the chief executive of Blue Microphones in Westlake Village. The company has grown an average of 40 percent a year since its inception in 1995.

THE MODERATOR
Brent Reinke is a co-founder and director of a company named Vapur that makes collapsible water bottles, and he is a corporate lawyer in the Musick Peeler & Garrett law firm in Westlake Village. He specializes in mergers and acquisitions, venture capital, corporate finance and the like, and he provides all manner of advice to fast-growing companies.
been so much about capital as in staying ahead of your competitors. So we learned a lot from our mistakes. The technology in notebooks was just exploding at that time. These are both high-growth areas when we were concentrating on product development, sales and marketing, automation across the board, including new checks and balances that, as the company grew, we were not in place. That allowed lots of money running out the door all over the place.

**REINKE:**

You hear that fairly often with companies. You don't want to install systems that are so far ahead of where you as a company are that you're wasting money which could be better spent taking it away from other things.

**DITCHFIELD:**

I had a recent example of an individual we helped her figure that out. She had never managed people before, and she really struggled. And it took us a while to work through all that. But now she's got confidence, she's dealt with tough issues. I feel good. Hopefully she'll stay with us another 10 years but even if she goes somewhere else, I feel like we helped her figure that out.

**MAIER:**

As you raise the quality in an area or you raise the intensity of what's needed, sometimes you've got to bring other people in. So we've had to do that juggling match over the years.

**REINKE:**

If you see a core quality in somebody, you really like the person, you really know they're bright, they're maybe – because of the intensity of their job – they don't have the time to delegate themselves further. They're in the weeds as opposed to looking at the bigger picture. Have you found it helpful to try to find outside resources to give them additional knowledge or education?

**MAIER:**

We've actually done a lot of leadership programs. To me, the key is, the raw material has to be there. As you said, if you really like the person, they're dedicated, they're bright, they just haven't been trained in a particular area. Or maybe they have never been a manager of people before. We've had that issue.

**DITCHFIELD:**

I've had that issue in that we brought people in that were too high and too used to delegating everything when we needed them to roll up their sleeves and also build the plans to be able to delegate.

**REINKE:**

You heard that from your experience, too. When we were a smaller company we couldn't afford certain systems, and the staff we put in we outright. We were adding employees to solve problems that could have been solved through automation. It took looking back at our business for a few months ago to realize that this problem was growing very quickly and was going to be a real hindrance for us to continue to scale. So we actually trimmed a significant amount of staff and are in the process of implementing a lot of new systems and automation across the board, including new checks and balances that, as the company grew, were not in place. That allowed lots of money running out the door all over the place.

**REINKE:**

I thought the one of the biggest issues we were going to confront was going to be a real hindrance for us to continue to scale. So we actually trimmed a significant amount of staff and are in the process of implementing a lot of new systems and automation across the board, including new checks and balances that, as the company grew, we were not in place. That allowed lots of money running out the door all over the place.

**REINKE:**

We're in the electronics business on a global scale. If you look at our last company, we were in the computer business, and this company, we're in the LED lighting business. These are both high-growth areas when we entered them. The computer business in 1990 we were focused on notebook adapters. Notebooks were just exploding at that time. When we entered LED it was 10 years ago. LEDs were just exploding. In a worldwide environment, you have to worry about competition and commoditization of the products. So far, we have to be ahead of our competitors technically all the time. Because our competitors are all in Asia. The technology is very common. So we learned a lot from our first company to learn how to manage this process in the second company. So it hasn't been so much about capital as in staying ahead of our competition to keep them behind us, looking at us, instead of the other way around.

**REINKE:**

They're super dedicated. Let me set down and try to work with them to develop their skill sets and reorient their job profile a little bit. And it actually turned out really successful.

**REINKE:**

It's definitely a common problem. Both companies I started, I started in the garage. So we're very entrepreneurial in the way we look at this. I had the benefit of the first company, the learning experience taught me how to manage this. About 50 percent of our executive staff came from the first company. You know they're not carrying weight you don't need. That's so important. It's very difficult to bring in help from large companies because they just don't fit into a fast-moving company. It doesn't work at all.

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**REINKE:**

Each of you please touch upon the subject of what it takes to go out and try to raise outside capital, what kind of process is that, what headaches that brings.

**DITCHFIELD:**

We started our company in the weight room above my garage. My first employee and I squeezed into a desk together. We took every dollar we had and folded it back into the company to begin. I took no salary for probably 3 years. I could quickly see that we were in a very cap-ex intensive industry and we were going against billion-dollar corporations. I could see the trajectory. If we wanted to keep that up, we needed capital and we needed it right away. So I went out – and I had never done a capital raise before – so I just started networking with people I knew. Met a few small family office-type PE firms in the area. Met with a couple and was very close to doing a deal with one that I thought was a good valuation for us at the time. We had just cracked a million dollars in revenue, and it was higher than what I was actually looking for.

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can see the income statement. It’s a learning process. But if you make mistakes raising capital, you can just screw your business completely. And the best way to do it is off cash flow.

We do a lot in Asia. We leverage Asia relationships. About 500 of our employees are in Asia. Access to capital in Asia is much more effective than the U.S. markets. We raised mezzanine debt 6 or 7 years ago. We know how to do it now. It’s not as onerous but it is a minefield. It’s probably the most difficult thing you have to worry about building a company.

**MAIER:**

Our company was founded by two guys, not in their garage but in a recording studio. By the time I was involved, a small private equity firm had bought the company. They brought me in about a year later. And I was shocked to find there was no bank loan, there was no financing, we didn’t even have a revolver. We had nothing. We spent the first year trying to figure out how to make the thing work on the cash-flow side. We ended up doing a thing with Wells Fargo, the technology division, and that helped us get things moving. And the private equity guys, as they grew – we were their first acquisition – they started to be able to help out. Then we started to build up the scale of the business to where we could have more revenue coming in. When I came in, I designed my own bonus structure, and I did it half earnings and half top-line. And the private equity guy said, “No. Forget about the earnings. We need this thing to grow.” So we did that for the first couple years and built the thing up to where it could generate its own cash.

And then we went the private equity route again with a bigger firm. And both times it’s actually been really good and really effective. So I’ve never had to do the angel, early-investment stuff. And I know that’s got to be difficult because you’re sort of having to give up equity in your baby. We did toy with the high interest stuff for a while when we couldn’t get a bank line. And that was 18 percent, 20 percent. The bank line came through right at the finish line, so we didn’t have to do it. We still to this day manage it super tight.

**REINKE:**

Skyler, you did an acquisition fairly recently. Talk about growing through acquisitions as opposed to internally, and obviously the integration that goes along with that.

**DITCHFIELD:**

So I have an advisor on the board. Great guy, mentor to me. Runs a multi-billion dollar market cap company. And he told me, “Stay away from acquisitions. Stay away. Stay away. Everyone I did was a disaster.” I said, “I want to do these acquisitions. They’re going to be fantastic.” He kept me off a couple years but we did one last summer and we closed one a couple months ago and we’re in the process of
another one right now.

The first one did was very small. We thought it would be good. It was an entrepreneurial little company. And we wanted their infrastructure and their knowledge set and their entrepreneurial spirit. Turned out (badly). We didn’t really lose a lot, but we didn’t gain anything out of it, and it was a bit of a headache and it actually turned into a lawsuit, almost, at the end. So, things to be wary of.

The second one was in the works for quite a long time. A smaller company had looked at our business model, knocked it off and followed us everywhere we went and became a very agitating thorn in our side. They’d come in and say, “Geolinks did that! We’ll do it for (what’s the cost of our company?” And you really have to be wary of that if you’re the business of making money off transactions. You can be accretive to you fast.

We typically stay away from large acquisitions because they’re expensive and risky. But we did acquire in the financial disaster out of bankruptcy the facility that we use in China. So I think in the right conditions, particularly if there’s a bankruptcy involved, you can generate assets quickly and they can be accretive to you fast.

The financial community in general is in the business of making money off transactions. And you really have to be wary of that if you’re running a business.

For us, we found, especially with our current private equity firm, a lot of opportunities came across our desk. They were all strong brands; they just didn’t fit. We were not going to be a holding company. We are Blue Microphones, and it just didn’t work.

But the one thing we did do was a company that was in receivership. And it fit well with our current holding company. We are Blue Microphones, they just didn’t fit. We were not going to be a holding company. We used to have a larger company, one that had incremental growth?

We hit the nail on the head. In the early days, there were 15, 20 employees, and it was all hallway conferences. We were talking about everything all the time, and we got stuff done. And as we got bigger and bigger and we got more staff and we were handling bigger accounts and we were going global, it got harder and harder. And I didn’t get proactive; I wasn’t in front of it. So it kind of hit me. But luckily, I had some good people around me who kind of pushed me. I had a head of marketing at the time who said, “I don’t want you in this meeting. You’re just going to be disruptive. I want to get to the conclusion and bring it to you.”

It wasn’t easy for me. There were certain periods of time where I felt like I wasn’t pulling my weight because I wasn’t doing all those things. You really have to pull out and be chief strategy officer, chief sales officer and build a great team. Those are the three things I focus on now.

Question from audience:

You talked about hiring the right people, but how about your growth? Going from micromanagement as a startup to macromanagement, big picture, worrying about the strategic versus the tactical.

MAIER:

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DITCHFIELD:

I found myself struggling with this quite a bit as we’ve grown really fast. I’ve tried to let go of an area, and then I come back and I see things that have gone wrong, so I let go too fast.

Question from audience:

Now that you’ve managed a fast-growing company and had the adrenaline of having a tiger by the tail, do you think you could now make the switch and manage a mature company, one that had incremental growth?

MAIER:

One thing is, you feel like you’re building something. I’ve been there almost 10 years and we still feel scrappy. We just figured out China and we haven’t figured out Japan at all. We do almost no business in Japan. It’s a fun challenge to figure out how we’re going to do this. We’ve tried five different ways; none of them worked. What are we going to do? It’s a puzzle. I’ve worked for big companies. I’ve worked for small companies. It’d much rather be part of something small that’s exciting and growing fast and trying to build something.
AT THE EVENT

1. Rick Pearson of Cresa, left, and Moty Ginsburg of Treium.
2. Jeffrey Knakal of Growth Partners, standing at left, as crowd listens to the presentation.
4. Jennifer Freund of Corporate ImpressionsLA.
5. Guests mingle before the panel discussion begins.
6. Frederick Beddingfield of Sienna Biopharmaceuticals, left, and André de Fusco, biotech entrepreneur and executive.
7. Greg Hutchins of Holthouse, Carlin and Van Trigt, left, and Daniel Schoenewald of Advanced Motion Controls.