



TURNINGPOINT QUARTERLY TALENT REPORT (Q3 2016)

Acceleration: Inside San Diego's Fast-Growth Companies



San Diego's Top 100 Fastest Growing Private Companies List

San Diego has a lot going for it—from the best year-round weather in the U.S. (according to public opinion polls and personal experience!) to a strong, diverse business economy—making the city an ideal place to live and build a business. As a result, the city attracts a wealth of top talent and high-growth companies.

For the last 13 years, the San Diego Business Journal (SDBJ) has vetted and selected the top 100 fastest growing private companies¹ in the county. This year, the volume of qualified nominees that reported record growth in revenues was so high that tradition was broken and 150 organizations were chosen for the annual honor.

Along with a distinguished list of other hyper-growth companies in San Diego including, Silvergate Bank, 5x Technology, Agentology, and Bekkers Catering, Pro Back Office, Pearson Fuels, and Sequoian Investments, TurningPoint Executive Search is humbled to have received recognition as one of the region's fastest-growing companies.



The Big Question: How Do You Do It?

Whether a founder or an appointed leader, the heads of San Diego's fastest-growing companies have likely been asked to reveal the "secret sauce" of building a successful company. And of course, pundits around the world have attempted to answer this elusive question as well. There isn't a "one size fits all" path to success nor does success happen overnight. The good news is there are a handful of ingredients that—when applied effectively—can enable the accelerated growth of any business.

To find out what those ingredients are we gathered insight from TurningPoint's founder, Ken Schmitt, and some of our fellow "fastest-growing" honorees. As you'll discover, each share common characteristics, but apply them in different ways, creating their own unique, winning recipe for success.

The Five Core Ingredients for Growth

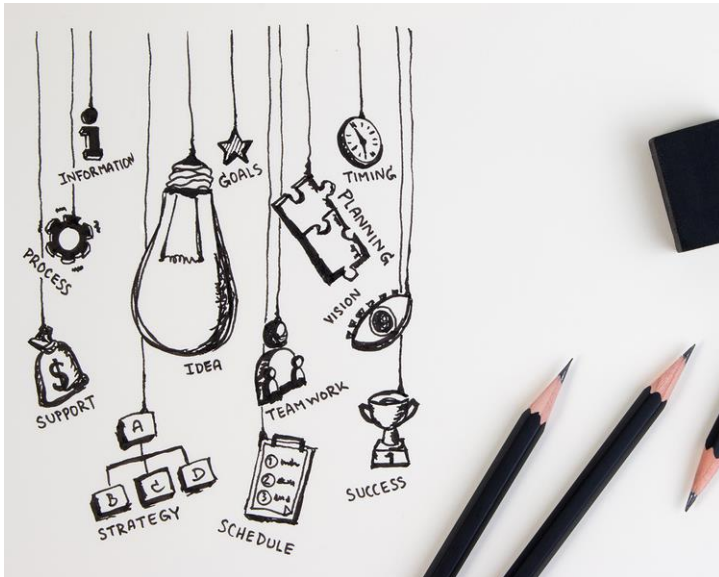
Many factors contribute to the success of a fast-growth company, from market conditions to the grit and perseverance of the people working in the business. And sometimes, it's just good 'ol fashioned timing. Here are the top five drivers we discovered:

Ingredient #1: Have a Unique Vision

Schmitt's favorite part of his work has always been people combined with the opportunity to make a real impact on small- to medium-sized businesses. "I always knew I wanted to engage with people rather than strictly working

¹ To be considered for San Diego Business Journal's fastest-growing company list, organizations were required to be in business the entire year of 2013 and have generated revenues of more than \$350,000, showing growth in 2013, 2014, and 2015.

behind a desk," Schmitt says. He also had an entrepreneurial mindset from a very early age. As a 14-year old, he worked for his father who owned a Jack in the Box franchise for over 25 years. That experience inspired him to dream of his own entrepreneurial path. In 2007 and with nearly 10 years of experience in recruiting (plus a generous dose of encouragement from his wife) Schmitt took the leap to start TurningPoint Executive Search. Instead of following a traditional model, he committed to building a different type of recruiting firm.



"Being an active part of my children's lives was important to me," remembers Schmitt, "so I decided to build the firm as a virtual business rather than opening an office; and I focused solely on direct hires, rather than adding a temp division." Most of his competitors operate from elegant corporate offices with multiple lines of recruiting, so his vision may have seemed risky at first. But according to Schmitt, his virtual operation and pure focus on direct hire placements became differentiating factors that directly contributed to his success. His daily operating and overhead costs are minimized, he doesn't lose productive time commuting to an office every day, and his 100% remote team is more engaged thanks to greater flexibility.

David Tal, CEO and co-founder of [Agentology](#), also emphasizes the importance of having a unique vision. A seasoned veteran of the real estate industry, Tal saw how ineffective most agents were in turning leads into closed deals. He sought to make the lives of real estate professionals easier by removing their biggest obstacle—lead qualification—so they could focus on what they do best: showing homes and closing deals. "We are a real estate company that provides an inside sales solution to real estate agents," Tal explains. Agentology's unique service offering was uncommon in his industry but also desperately desired by real estate professionals. The result was a winning mix of visionary ingredients that helped propel the company's success.

Ingredient #2: People

The backbone of every organization is its people. Without a team of talented, complementary, and engaged employees, few businesses can succeed. For companies on a fast-growth trajectory, hiring the right people is especially critical. You must have people who are dedicated to the vision, willing to roll up their sleeves, and have an unrelenting "can do" attitude. It's not uncommon for employees of fast-growth companies to wear multiple hats. In fact, it's pretty much a requirement! "It's not my job," simply isn't a part of the corporate vernacular.

"Everyone at Agentology wants to dominate this space," says Tal of his 20-person workforce. "They know the numbers and celebrate them together." Tal is quick to point out that the no one person is responsible for the company's tremendous growth. "We set ambitious yet achievable goals and we always reach them. The whole company is always involved."

[Silvergate Bank](#) president Derek Eisele cautions to hire carefully. To support his company's growth, hiring increased, making it difficult to scale the corporate culture. That eventually led to turnover, which can be costly and disruptive. "Be careful when you hire and make sure you hire for cultural fit to reduce the turn," Eisele says.

CEO Jeffrey Yefsky of [5X Technology](#) shares a similar story advising, "Be careful of who you hire as their cost may not be equal to their value." The business landscape is littered with failed companies that hired the "shiny object candidate" and ignored the lack of cultural fit.

Quick Tip: Hire Right!

In growing companies, every employee counts. Here's what Jennifer Barnes, CEO of #5 ranked Pro Back Office, and the other CEOs we interviewed said about finding the right talent:

- Clarify roles and responsibilities for key positions
- Know what attributes and characteristics work best in your culture
- Get to know the strengths and weaknesses of your people, then help them be their best every day

TurningPoint's first employee, Elaine Rosen, was hired within a year of its founding as Schmitt quickly discovered the need for someone to assist with recruiting and ensure the business ran smoothly. "I look for people who can succeed in our autonomous yet demanding culture," he explains. "Elaine not only brought experience in recruiting, she was the yin to my yang, letting me focus on what I do best (ideation and business development) while she handles the behind-the-scenes processes and operations."

As the company grew, Schmitt recognized other attributes in his best people including the ability to balance independence with collaboration while also navigating ambiguity. Rosen adds, "We work in a fast-moving, entrepreneurial environment where things change quickly. It's not for everyone."

Ingredient #3: Focus

Fast-growth companies must also be mindful of distractions that can derail their best efforts. "It's easy to get caught up in growing the top-line and continually expanding. But it's important not to deviate from your passion and long-term strategy," said Schmitt. Find a niche and be the absolute best in that space.

Olga Worm, CEO of Bekkers Catering, echoes similar advice as she recounts the 55+ years her company has been doing business in San Diego. Originally founded as a barbecue restaurant of a different name, the company now focuses on full-service catering for private and corporate events. By relying on her commitment to her vision, the company had nearly 50 percent growth from 2013 to 2015 and continues on that path now.

The great thing about focus is that there isn't one right way to approach it. For some, focus refers to target industries and a specific subset of customers. For others, it is motivated by geography or based on the decision to conduct business online versus offline. Still others commit to developing a high-end product or service with premium pricing to attract a specific type of buyer. In our research, however, we found that regardless of how a business defined its focus, the key success factor was the willingness to maintain that focus, rather than responding to short lived trends and creating a "me too" business.

Quick Tip: Don't Fall Prey to the Profit Trap!

Each of the leaders we spoke with offered ideas to steer clear of a narrow top-line focus:

- Stay true to your passion
- Take action for the right reasons
- Don't try to be all things to all people

Spotlight: Sequoia Investments, Inc.

In 2012, co-founders Alexander Pellegrino and Alexander “Sasha” Favelukis started [Sequoia](#) to fill a need in the real estate financing industry—quick money to fund projects that might otherwise fall through. With more than 787 percent growth in the last three years, the company earned the top honor as the #1 fastest-growing private company in San Diego. Here are their tips for accelerated growth:

- **Emphasize team contribution.** Sequoia employees are paid competitively but their earnings are based primarily on individual performance. The founders established a culture where the focus isn’t on working for Sequoia, but on working with one another to produce results that allows everyone to profit.
- **Deliver superior customer results.** Ninety percent of Sequoia’s business comes from referral or repeat customers, which is attributed, in part, to the quality of service and customer experience.
- **Big isn’t always better.** Sequoia made attempts to strategically partner with bigger name companies, attracted to the lure of bigger money. But those partnerships didn’t fit their core brand as a source to quickly fund real estate projects. Pellegrino advises, “Be wary of what and who is within your area of influence. Don’t get taken by big names claiming to make you better. They may not actually be the best thing for your business”

Ingredient #4: Adaptability

While focus is a key ingredient, another essential trait for any fast-growth company is the ability to pivot and change in response to the market. This may seem a bit counterintuitive to the last ingredient that extols the importance of focus. However, without the willingness to adjust to changing customer tastes or a failed product line, CEOs are doomed to drag the business down.

As a leader in the financial services industry Eisele understands this all too well. Competition in the banking market can be fierce and aggressive. “It’s not just banks. We compete against non-bank lenders and credit unions as well.” To differentiate Silvergate from other competing institutions, Eisele’s team took a community-driven approach, hosting events and lunches to get to know prospects and generate buzz. They also stayed true to their core customer base, rather than completely changing directions during the recession as many of their competitors did.

Dramatic changes in technology forced Yefsky to quickly adapt his approach to a shifting landscape of evolving operations, sales and marketing strategies, and hiring practices. “We had to take a step back from our ‘it’s always been done that way’ thinking to become more innovative both in the products we offer and in how we communicate with customers.” 5X Technology streamlined operational processes, which reduced costs and enabled the company to provide more value to customers.

Embrace the Long Term to Attain Success

Commitment and belief in the business is what enabled CEO of [Pearson Fuels](#) Mike Lewis to grow his business by more than 500 percent in the last three years. “We lost money for seven years in a row and that was hard. You begin to doubt your business.”

To succeed, Lewis maintained a long-term perspective. Instead of focusing on how to make quick money in the short-term, he aimed to build a sustainable business over time.

Since its inception, TurningPoint has also adapted to the changing marketplace. The first iteration of the company focused on recruiting finance and accounting talent. Today, the company is the niche leader in recruiting sales and marketing professionals. According to Schmitt, that evolution unfolded over three to four years after recognizing that TurningPoint was one of many finance and accounting recruiters in the region. It was difficult to differentiate his services from other larger players in the local market, especially in 2009 when the recession was in full swing.

That's when he began to pivot—slowly shifting his focus away from finance and accounting roles to recruiting sales and marketing talent. Responding to the unprecedented number of out-of-work professionals, Schmitt also introduced ancillary services like resume writing and career coaching. Those actions kept TurningPoint moving forward despite tough economic times. But by the end of 2011, Schmitt was doing a little bit of everything, having pivoted too much. That's when someone asked, "What exactly are you focusing on? Are you doing recruiting, coaching, or resume writing? Are you focusing on sales or accounting?" This was a wakeup call, compelling him to take stock of the firm and what he was trying to build. "We quickly decided to get rid of the resume writing and coaching, then referred all accounting and finance recruiting to our former competitors. That pivot allowed us to refocus efforts on sales and marketing," Schmitt recalls.

Ingredient #5: Customer Experience

Like employees, customers have the ability to make or break a business. Treat them poorly and your reputation can be demolished with a mere 140-character tweet. But offer them an incredible experience and you'll have a loyal advocate for life.

Whether your differentiator is quality, speed of service, accessibility or price, there is still an inherent level of service every customer expects. Fail to satisfy this expectation and your business—along with your bottom line—will undoubtedly suffer.

For example, the millennial population has contributed to changes in how 5X Technology conducted business. The company's old website was information heavy and difficult to read. Realizing that millennials want quick, bite-size, easy to navigate information, the website was updated to attract the company's target audience. "Now we have so much more relevant content and activity that they keep coming back for more," says Yefsky.

When asked what contributed to Bekkers Catering's rapid growth, Worm quickly points to word-of-mouth marketing. Referrals from happy customers don't cost much and the return on investment (ROI) is immeasurable. According to Worm, it's as simple as doing what you say, responding to customers in a timely manner, and delivering great service and food. And the proof is evident online. Bekkers boasts a 5-star rating on [Yelp](#).

If you're unsure of how customers experience your products or services, then you're missing vital information that can help your company grow. Be proactive in gathering feedback from prospective, current, and past customers. There are multiple ways to better understand the sentiments of your customers, from qualitative approaches like conducting focus groups, asking for testimonials, and spending one-on-one time with customers to quantitative methods like sending customer service surveys to determine your [Net Promoter Score](#). Collectively, those inputs become insights you can use to improve blind spots you might never have considered before or enhance what you're already doing well.

How to Grow Without Hard Marketing Costs

"If you take care of people, you'll get referred left and right," says [Pro Back Office](#) CEO Jennifer Barnes when asked how her company grew 406% by relying 100% on word of mouth referrals.

Extra Seasonings for Success

Even after implementing these 5 Key Ingredients, the pathway to becoming a fastest-growing company isn't without its challenges and obstacles. Each of the companies we interviewed shared examples of how they overcame those hurdles and we've distilled those insights into "extra seasonings" that can help perfect your company's growth strategy:



RISK

As Agentology grew, Tal was forced to make some big, bold changes that involved some calculated risks, causing their growth to temporarily stall. "We made the tough decision to let go one of our key employees, who also happened to be a top sales contributor," recalls Tal. "The negative energy he brought to work was far more damaging than the short-term setback we experienced by having to replace him."

TIMING

Fast growth isn't always smart growth. Looking forward, Eisele expects that Silvergate Bank will continue to grow but not at the pace it set over the last three years. His strategic plan is focused on two areas: 1) building a great culture where the right people are working in the right

jobs, and 2) growing the bank's portfolio of business customers, both of which take intentional effort and time.

SYSTEMS AND PROCESSES

Schmitt confesses, "I'm the idea guy." It's an attribute that contributed to TurningPoint's 135% growth over the past 3 years; however, too many ideas without proper execution can create unnecessary and costly distractions. He's not alone. Many fast-growth companies tend to work "from the hip," navigating business changes on-the-go. To sustain growth, it's important to develop internal systems and processes that ensure the essential day-to-day execution of business.

PERSONAL AND PROFESSIONAL GROWTH

5X Technology has a growing millennial employee workforce. Although millennials have less experience than their more seasoned counterparts, Yefsky is committed to developing their potential. And in doing so, he benefits too—growing his ability to lead a multi-generational, dynamically changing workforce.

COMMUNICATION

In all the companies profiled communication played a key role in organizational success. "I love when my team challenges my ideas," says Schmitt. He relies on his team's willingness to push back because he trusts their expertise and perspective. "We don't always get things right the first time and that's OK. I want my team to try new things. It helps them grow and TurningPoint will inevitably grow with them."

Companies Profiled

We appreciate the companies that contributed their wisdom and insights for this report:

Sequoian Investments, Inc. #1 (787% growth)

2004 University Ave., Suite 100

San Diego 92104

www.sequ.com

Pearson Fuels #4 (527% growth)

1360 Rosecrans Street

San Diego 92105

www.pearsonfuels.com

Pro Back Office LLC #5 (406% growth)

5090 Shoreham Place, Suite 208

San Diego 92122

www.probackoffice.com

Agentology #17 (214% growth)

1431 Pacific Highway, Suite H4

San Diego 92101

www.agentology.com

TurningPoint Executive Search #33 (135% growth)

3460 Marron Road, Suite 103-351

Oceanside, CA 92056

www.turningpointexecsearch.com

Bekkers Catering #110 (47% growth)

7455 Mission Gorge Road

San Diego 92120

www.bekkerscatering.com

5X Technology LLC #131 (31% growth)

3160 Camino Del Rio South, Suite 208

San Diego 92108

www.5xtechnology.com

Silvergate Bank #140 (25% growth)

4275 Executive Square, Suite 800

La Jolla 92037

www.silvergatebank.com

Our Contact Information

TurningPoint Executive Search

(760) 434-5401

www.turningpointexecsearch.com

