

## PLANNING FOR RAPID GROWTH

A conversation with Rajeev Singh, president and chief operating officer of Concur



Rajeev Singh

Founded in 1993 in the Seattle area, Concur, a leading provider of spend management solutions, today has more than 22,000 customers in 150 countries, including more than half of the Fortune 500. In the last quarter, the company reported year-over-year revenue growth of 30 percent, and analysts project that the company will post revenues of nearly \$700 million this year. Concur processes 55 million transactions worth more than \$50 billion in travel and expense spending a year.

Like many technology companies experiencing rapid growth, Concur has had to navigate a variety of leadership and organizational challenges, including questions around building the leadership team, hiring and organizing for international expansion, and maintaining the founding culture and values while adding dramatically to the workforce.

Rajeev Singh is a co-founder of the company and Concur's president and chief operating officer. He spoke with Spencer Stuart consultant Michael Dickstein about some of the challenges of rapid growth and how Concur has responded to the challenges it has faced.

We want to explore the leadership and organizational challenges that arise from rapid growth, and Concur certainly has relevant experience. Talk about Concur's growth.

**Singh:** We began fiscal 2007 coming off a year when we had about \$120 million in revenue. We enter fiscal 2014 in which analysts estimate our revenues will be near \$700 million. Over that seven-year period, the growth rate has accelerated to the point that our year-over-year growth last quarter was about 30 percent. And so the company continues to grow at a very rapid clip and that means there's always more happening. We had about 700 employees about seven years ago, and now we have almost 4,000. We've had incredible employee growth, very significant revenue growth, very significant cash flow growth.

At the same time, the charter of the company expanded pretty materially. From the outside, we look like a travel and expense company, and that is fundamentally what we are. In 2007, we were a travel and expense company that served the Fortune 2000 in the United States and in the U.K. Today we have a major presence in 10 markets and expanded our customer base beyond large enterprises to include small and mid-size companies — and even very small companies with fewer than 50 employees. Our customer base in that time has gone from 1,500 to 2,000 to more than 22,000 customers today. So, from a quantitative and a scope perspective, the company has grown very materially.

It's also important to note that during that entire period, the technology world has changed

dramatically, with important implications for the delivery of our offering. The incredible proliferation of mobile devices and mobile apps has changed the way people look at travel. The proliferation of social data has changed the way people look at our process. So not only have we had employee and revenue growth, but we've had to adopt new intellectual paradigms.

Can you talk about some of the leadership and cultural challenges of rapid growth?

We think we can continue to accelerate our top-line growth, and therefore employee and customer acquisition will continue. We perceive ourselves as people who look at the world the way it ought to be and then work our way backwards to get there. As we grow as a company, we've been given permission by the market and by ourselves to tackle bigger and bigger challenges. In the past, we may have thought we wanted to automate travel and expense and win the predominant market share. Today we look at the world and say, "We think we can change the \$1 trillion corporate business travel ecosystem by virtue of having collected information from about 22,000 companies used by more than 20 million people and the purchasing power of our customers."

We've certainly given ourselves permission to lean forward and say that our charter will continuously change as we grow, and we need people who are very comfortable with that idea. We need people who are constantly challenging themselves to go beyond celebrating what we have achieved and look at all the answers we have now and ask what we can do next. That is something that is embedded in the cultural

growth of our business, so when we're growing from 500 employees to 3,500 or from 3,500 to 7,000, we need to make sure we are protecting that culture. Are we enunciating who we are and the core values of the company?

That is a very clear mantra to our employees. It's not about what we do because what we do is going to change all the time. It is very much about who we are; the basis of our company is who we are. Now we do internal "launch events" specifically for our new hires, every single month all around the world. Two of the cofounders go to every one of those events. We do talk about our product, but far more of that time is allocated to who we are and the history of the company.

### So, preserving the culture is a priority.

The No. 1 challenge is culture. We're very cognizant of it. We have almost doubled our workforce in a year. With that pace of hiring, the number of new people coming into the organization in any given year can dwarf the number of people who are already here. Our culture is one hiring generation away from dissipating and so our biggest challenge is: Can we maintain a forward-leaning, entrepreneurial,

collaborative, family culture? Can we hold on to that while we grow? We are insanely focused on that.

### What are the implications of rapid growth on the company's leadership team?

We've grown the people who have been here a long time; we've hired a number of new people, including senior leadership. But the reality is that among the core team who have been here since the company started, none of us has ever built a company, and that's where we are now. We aspire to build a \$25 billion company. We've never done it, so we're very cognizant of what we don't know. We have to fight against the reliance on old school entrepreneurial gut-instinct decision-making because we are prone to want to make decisions based on what we see and what our gut says. We are pushing ourselves to accept that we need more processes and scale to the way we make decisions.

Organizationally speaking, the identification of great leaders and superstars becomes much harder at this scale. There was a period of time when we had 1,000 people that I could have named the top 30 people at the manager,

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individual contributor and director levels with the potential to be the next stars, because I touched them. I sat in a meeting with them or worked on a project with them. It's harder now because there's part of the company that I don't touch with that type of regularity. The identification of incredible leaders who are three or four levels deep in the organization who we need to find and try to nurture and give new opportunities to is a much, much harder challenge, and we are pretty focused on it.

The business is also more complicated. We're not only trying to sell to corporations, we also have a set of applications for travelers. We have a platform we're offering to developers and third-party ecosystem suppliers. There are whole new constituencies of customers that we are trying to reach and new revenue streams that don't have anything to do with travel expense software. Aligning those objectives and ensuring that all 4,000 people in the company feel connected to what the company is attempting to achieve and being able to tie what they work on every day with the company objective is another key concern.

### What are you doing to encourage that kind of connection with the mission?

We have a really inspired set of employees. They like working here. They speak to the culture of what we're trying to achieve, and that's one of the primary reasons they're here.

They're passionate about travel. They're largely passionate about it because they feel connected to the mission. In a smaller business, you achieve that via constant communication verbally, but at around 4,000 employees, the company is not about speeches anymore. The speeches matter, but they're not the answer. The answer is scalable processes that show the cascading linkage of corporate objectives to the achievements of individual employees and then reward employees for behavior that supports those objectives.

### What about transmitting that culture to more senior hires?

We have tried to operationalize culture fit into the interview process. We've tried to have a more rigorous interview process today than we had five years ago. People do more rounds of interviews and we try to ensure that everyone is asking the question, "Do you fit here?"

We are very much a company that speaks in the "we." What we've achieved is not a single person's work. You will never hear our CEO say, "I came up with a strategy, and this is what I did and that is why our stock is where it is." We look at the way a potential hire describes his past experiences. There's a level of selflessness and humility that we expect. We've all had bad experiences in the past. But we listen to how a person describes his past and the amount of self-attribution that goes with his or her failures

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versus the amount of team attribution that goes with success. That speaks volumes about the way someone will fit in here.

We want extraordinarily hard-charging, competitive people who get stuff done. That said, we expect them to do that within the structure of a team that works together.

**Let's turn to specific hiring decisions. When do you decide you need new talent as opposed to knowing you've got somebody inside who can scale up to that role? When are those decisions hard, and when are they clear?**

There are times when it's apparent we will need to go outside, for example, when the business needs new technical skills. In those cases, it's easy to assess the situation and decide that we don't have those skills because the business wasn't aligned to do that work yesterday, but we've decided to change and do new work today.

The more difficult decisions are related to scale: for example, building a sales force that's closer to 1,000 people than 500 people. The question is whether we should hire some people from larger organizations who can ask the right questions but are aligned with our culture. It's not always necessary to hire a new leader if we can intersperse those skills within the organization. The hardest challenge is finding someone who has taken a company from a product company to a platform company when they have 22,000 customers and 20 million people touching and using our products, because no one has done it. For those kinds of challenges, we're seeking intellectual

horsepower and the cultural analysis is harder to get.

**Talk about Concur's approach to hiring for international growth.**

Candidly I'll state that, to the degree that there's been a way for us to make mistakes on international expansion, we've made those mistakes. Our philosophy today, and it's yielding success, is to combine local expertise with deep knowledge of the product. We assign an executive who knows the local market as managing director to build the sales, marketing, business development and service functions, but they roll up to someone in market who understands Concur. Having both the local market knowledge and the knowledge of the company is critical.

The other part of the international effort is making a true commitment. Do the math, do your homework and then make the commitment; when you go in, put both feet on the ground. Don't just dip a toe in. Toeing in is a recipe for losing money.

**Turning to board leadership, how has your rapid growth changed the way your board functions and what skills directors need to bring?**

Our entire ecosystem has changed. We went from being a company that wanted to build extensive travel reporting software to one that allows travelers to transparently communicate their needs and gives us an opportunity to serve those needs. So the change in scope is massive.

So what do we have to consider when we think about board members now? We look at technology and industry skills. At the same time, we have to balance that with the culture of the board. We want our board to operate in a cultural value sense in much the same ways that our business operates. Anyone who has the relevant business relationships or industry relationships or the specific domain expertise in travel or technology could be interesting to us, but they have to fit culturally. We're pragmatic and methodical about our board because it is such a small group with an unbelievable influence in the long-term outcome of the company. There is regular dialogue about the board composition, including an annual survey of directors about the skill-sets on the board and what we may be missing based on where the business is headed. Any team that looks at itself and says we aren't missing anything is probably incorrect."

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