Managing the Growing Business
Six Stages of Growth

Zacharakis

Original Slides by Ed Marram,
Modified by Zacharakis

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VALUE is Created When Businesses Start

BUT

Much MORE VALUE is Created When These Enterprises Grow
VALUE For

- More and more customers
- Stakeholders
  - Investors
  - Employees
  - The entrepreneur
  - And more
- Society
Stages of Growth

Growth occurs in a Predictable Pattern

Problems also occur in a Predictable Pattern

If you know ahead of time where you are in the Life Cycle, you can tell which of your problems are normal, and which require special attention.
Growth Stages

<table>
<thead>
<tr>
<th>STAGE I</th>
<th>STAGE II</th>
<th>STAGE III</th>
<th>STAGE IV</th>
<th>STAGE V</th>
<th>STAGE VI</th>
</tr>
</thead>
<tbody>
<tr>
<td>Existence</td>
<td>Survival</td>
<td>Stabilization</td>
<td>Growth</td>
<td>Take-off</td>
<td>Maturity</td>
</tr>
</tbody>
</table>

Large

Small

AGE OF ORGANIZATION

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Issues of Growth

GROWTH

Hard Work!

Creation of Myths

TIME

WONDER

BLUNDER

THUNDER

PLUNDER

DEATH

Teach & Share or Destroy!

ASUNDER or renaissance of WONDER

Successor's Hard Work

Liquidation

Failures Quit

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Financing as a Function of Stage

- Start-Up/Early Stage
  - Venture Financing (seed money)

- Growth Stage
  - IPO (public equity)

- Maturity Stage
  - Public Offering (follow-on equity)

- Decline Stage
  - Acquisition/Divesture

Time

Total Market Sales

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Central issues facing entrepreneurs

- changing management mode from doing to managing managers
- increase in importance of people, planning, and systems
- acquisition of necessary resources prior to growth stage
- leadership and management skills consistent with the stage
The Environment Today

- Globally competitive
- Rapidly challenging
- More complex than ever before
The Environment (continued)

- Changing nature of and shorter life-span of opportunities
- Less stable and more diverse consumer needs
- Rapidly increasing availability of knowledge
- Less time to capture value of knowledge breakthroughs
- Increasing geographic dispersion of opportunities, competition, and markets
- Decision makers faced with more complex problems, more ambiguous information, and less time to make decisions
Current and Projected Environment

Decreasing Product-Life Cycles
Example: Computer Industry

Government Policy:
- Free Trade
- Open Financial System
- Integrated Communications
- Unrestricted Air Travel

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**Impact On Business Environment**

**How Long Can You Remain At The Top?**

% Companies Exiting Fortune 500

<table>
<thead>
<tr>
<th>Year</th>
<th>1970s</th>
<th>1980s</th>
<th>1990s</th>
</tr>
</thead>
<tbody>
<tr>
<td>% Exiting Per Anum</td>
<td>0</td>
<td>5</td>
<td>8</td>
</tr>
</tbody>
</table>

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Necessary Competencies Required to Keep an Organization Growing Regardless of Stage

◆ Vision
◆ Communication
◆ Leadership
◆ Delegation
◆ Performance Facilitation
Stage I: EXISTENCE

◆ Key Characteristics and Problems:
  ◆ Cash
  ◆ Customers
  ◆ Products
  ◆ Sales
  ◆ Delivery

◆ Organization and Management:

DIRECT MANAGEMENT

• Owner

• Business
Stage II: SURVIVAL

Key Characteristics and Problems:

- Break-Even: Cash + Rejuvenation of Assets
- Revenues
- Expenses
- Profits
- Business Cycle

Organization and Management:

- SUPERVISED MANAGEMENT

  - Owner
  - Business

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**Stage III: STABILIZATION**

**Key Characteristics and Problems:**
- Profitable
- Cash
- People

**Organization and Management:**
- FUNCTIONAL
  - Delegation of Operations
  - Possible Delegation of Strategy

- Owner
- Business
Stage IV: GROWTH

Key Characteristics and Problems:

- Profitable
- Resources
  - Cash - Risk Firm’s Established Borrowing Power to Finance Growth
  - People - Hire Professional Managers to Accept Responsibility for Functional Areas

Organization and Management:

- FUNCTIONAL
  - Delegation of Operations
  - No Delegation of Strategy

- Owner
- Business
Stage V: TAKE OFF

Key Characteristics and Problems:
- Expense Control
- Delegation
- Approaching Maturing Markets
- Cash for Growth

Organization and Management:
- DIVISIONAL
  - Considerable Delegation of Operations
  - Some Delegation of Strategy

Owner

Business
**Stage VI: BIG COMPANY**

◆ Key Characteristics and Problems:
  
  ◆ Consolidating and Controlling Success
  
  ◆ “All the Normal Problems of Big Companies”
  
  ◆ Maintaining the Creativity and Adaptability of Previous Stages
  
  ◆ Success

◆ Organization and Management:

  ◆ LINE AND STAFF
  ◆ Delegation and Control

[Diagram of organizational structure]

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The Organizational Imperative

◆ As Organizations Grow Larger the Method of Operation Changes

◆ Structure and Processes (Controls) Produce a Bureaucracy

◆ You have to Work on Instilling and Extending Entrepreneurship

◆ You may have to Rejuvenate the Company and Rekindle Entrepreneurship
Entrepreneurship: A Process Approach

OPPORTUNITY

Forming the Entrepreneurial Vision → Fashioning the Opportunity → Initiating the Business → Capturing the Opportunity → Managing the Entrepreneurial Process

ENVIRONMENT

Revitalization ← Stagnation ← Bureaucratization

Regeneration
How the mighty have fallen

DJIA 1974 = $853

DJIA 2001 = $10,000+

$34.94

$20.46

$2.62

$8.01

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Basic Operating Requirement

The Basic Perspective of the Management of an Entrepreneurial Organization Is That:

◆ There Is Continued Uncertainty in Their Operating Environment

◆ Dealing With This Uncertainty Requires a Focus on Opportunities

◆ Opportunities Can Arise Anywhere in the Environment and Be Recognized Anywhere in the Organization

◆ The Organization Must Dynamically Change to Capture the Opportunities
The Opportunity Driven Model

Entrepreneurial Business Units

Internal Markets
Integration and Resource Allocation
Coaches

Top Management

• Flat
• Focused

• Flexible
• Fluid

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Direction: Opportunity-Seeking Organization

Entrepreneurial Business Units

Internal Markets
Integration and Resource Allocation
Coaches

Top Management
A. TWO RULES

1) 25% of a Division’s Sales Must come from Products Introduced in the Past 5 Years

2) Virtually Anyone in the Company can Spend Up To 15% of the Work Week on Any Product-Related Activity

B. CORPORATE CULTURE

1) Creative Thinking will Pay off in the Long Run

2) The Champion of an Idea Gets to Manage It

3) The Champion of an Idea Gets to Recruit Others

4) Relatively Flat Organization; 42 Divisions

5) Stay Close to the Customer

6) Management by Peer Pressure

7) Sharing of Ideas and Technology

8) Genesis Grants
Venturing into the Unknown