

Jonathan Dapra
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FROM TO 50 500



Mastering the Unique
Leadership Challenges
of Growing Small Companies

Bonus

Includes exclusive access to tools to assess your leadership capabilities

What people are saying about

From 50 to 500

We found ourselves nodding our heads in acknowledgment of the challenges inherent in founding and growing a business. The authors have hit on many familiar problems and agonizing decisions. Reflective and honest readers will certainly benefit from the insights offered in these pages.

John Nury, Founder of Circle R Safety

David Nury, Leader of Circle R Safety, D&D Leasing, LLC, and Beth's Barricades

Circle R Safety (founded in 1982) was acquired by private equity in 2017.

From 50 to 500 represents a comprehensive, highly functional toolbox for the small business leader. The book is loaded with valuable insight, relevant business cases, and motivation to learn, grow, and succeed. Small businesses function and execute best as a team, and teams are best led by intelligent and adaptive leaders. Leaders willing to learn and evolve. The book's well-thought-out success narrative serves as a blueprint for positive change management. I strongly encourage people considering a new venture, developing a new business, and scaling an early-stage company to buy this book! Once you do, dog-ear the pages, take notes, and enthusiastically apply the tricks and tools the authors generously provide for the reader. If you do, you will achieve new heights, and your employees and customers will thank you!

Marty Strong, Navy SEAL officer (retired). CEO and Chief Strategy Officer at LGS Management Group. Author of *Be Nimble: How the Creative Navy SEAL Mindset Wins on the Battlefield and in Business*

This book should be on the shortlist for anyone at the helm of a business who feels that most leadership content skews too entrepreneurial or too corporate to be in touch with the intricacies of a rapidly budding organization. *From 50 to 500* brings to life the oft-overlooked leadership needs of growing from a small business to a medium enterprise; and does so in a relatable way that encourages self-reflection, awareness, and improvement.

Roy Amin, Managing Partner at REVPAR VENTURES

We see entrepreneurs and small companies build and develop America's downtowns and main streets. How exciting to see a book that speaks to those business leaders! Without doubt, this is the formula for success—how owners of small companies can grow their organizations and build long-lasting companies that drive our economy.

Randy Lewis, Executive Director of Main Street Martinsburg, accredited by National Main Street Center

This book is carefully crafted to reach the management of companies having more than fifty people and on a growth path to increasing that number. The authors set forth for guidance via a High Impact Leadership Model that includes parameters for Business and People Judgment that are the keys to success. Quarterly reviews focusing on the challenges and decisions of two hypothetical business leaders coupled with authors' insights on the quality and impact of their decisions represent a great universal education for every business manager. Since small businesses do not have the funds to hire people like the authors, this is a great alternative.

Paul Dean, Economist, Investment Banker, and Founder of Collateral Guarantee

Although we are technically buying stock in companies, venture capitalists are really investing in human capital—the founders and management. We would rather invest in an “A” leadership team with a “B” plan than a “B” team with an “A” plan. This book should be required reading for leaders of fast-growing startups or small companies and their teams.

Andrew Zulauf, Executive Director of West Virginia Jobs Investment Trust

The authors pretty much challenged every leadership “guru” and said: You don’t understand small business leaders; they are not like execs of large companies. The PRG model is unique and makes all the sense in the world—allowing one to think very specifically about their organization’s growth potential. What a great perspective. *From 50 to 500’s* leadership model and development tools speak to me as a small business leader and will help readers to dramatically improve their leadership impact.

Ryan S. Chadwick, Founder of Fathom Brands

There are plenty of business books out there, but few that truly get the challenges of what it is like to grow a small organization into a much larger one. The authors have clearly been in those shoes—the case studies and the year in the life of two leaders were profoundly valuable and practical. I would recommend this book to any leader with an ambition to aggressively and sustainably grow their business.

Rich Berens, CEO and Chief Client Fanatic at Root Inc. (an Accenture company)

From 50 to 500

Mastering the Unique Leadership
Challenges of Growing Small Companies

Jonathan Dapra, Richard Dapra,
Jonas Akerman



Winchester, UK
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We operate a distinctive and ethical publishing philosophy in all areas of our business, from our global network of authors to production and worldwide distribution.

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Introduction

Who Should Read This Book?

From 50 to 500 is for leaders running companies with fifty, one hundred, and as many as five hundred full-time employees interested in maximizing their impact on the success and growth of their organizations. This book is also for small business leaders who aspire to grow their companies to beyond fifty employees. Finally, it is for those interested in what makes leaders of smaller businesses different from executives running large enterprises. *You may be surprised.*

What This Book Is Not

From 50 to 500 is not theoretical. It is not a compilation of the authors' opinions. It is not a passive, lazy read. It is not a pie-in-the-sky treatise or esoteric perspective of leadership—the book is not dull. It is not based on, nor does it delve into complex psychological constructs that might underpin (or undermine) leadership. It is not irrelevant to you, a small business leader.

What Is the Focus of the Book?

Our objective is to enable you to become a more confident leader, someone who positively impacts the full range of results defining organizational success. To achieve this objective, we address the challenges small business leaders face as their companies grow from fifty employees to one hundred and beyond. As a company's size increases, the challenges, opportunities, and obstacles its leader faces become varied and more complex. The nature of their capabilities and decisions changes, as does their impact on company success. As a result, their leadership must adapt and grow stronger.

How Does the Book Achieve Its Objective?

From 50 to 500 is divided into four sections, each building on and reinforcing the other to achieve our objective: Make the reader a stronger, more confident leader who positively impacts their company's results.

Leading in High Growth Environments

This section establishes a foundation critical for the remainder of the book. It ensures everyone understands and agrees on the range of companies categorized as *small*. Not every firm with fewer than five hundred employees is the same. *The Potential for Rapid Growth model* is our approach to segmenting this range of small businesses. You should know where you fit in the span of fifty to five hundred, recognizing what makes companies like yours distinct and understanding your growth potential.

This section also represents insights from our years spent observing and profiling thousands of successful small business leaders as well as our tenures leading small companies of our own. The result is a unique competency model, the *High Impact Leadership model*SM. It is the basis for achieving insights into effective small business leadership within rapid growth environments. We detail the model, explaining how a leader's Motivators, Business Judgment, People Judgment, and Derailer avoidance reliably result in highly effective business and people decisions, having a significant impact on your company's success.

Introductory Interviews

Next, we introduce two fictional small business leaders. Each of them faces challenges comparable to those you encounter every day. Jamie is the founder and president of *e-Dine Corporation*, a software manufacturer specializing in restaurant Point-of-Sale (POS) products. Her company employs sixty-one full-time associates. Terry recently took the helm of his family's three-

store organic grocery chain, *Eat Fresh Specialty Markets*. He has ninety-two full- and part-time employees.

The introductory interviews provide a perspective of our leaders' businesses, their aspirations for success, and initial insight into their motivations as well as how they lead. Then, together, we evaluate what we see and hear throughout the discussions and begin developing our pictures of Jamie and Terry as leaders.

A Year in the Life of Two Small Business Leaders

The chapters in this section build on the process we presented during the introductory interviews. We will look at key experiences each leader reports throughout the upcoming operating year. In these interviews, the leaders describe significant events in their company. Each chapter explores the decisions a leader made to address a specific situation, challenge, or opportunity. These rich conversations and resulting behaviors provide a foundation from which we can readily glean and discuss significant insights into Jamie's and Terry's leadership effectiveness. Their effectiveness is documented in a scorecard and tied to their quarterly results across four key categories: *Market, People, Financial, and Operations*.

We conclude the business year and this section by profiling each leader relative to the High Impact Leadership modelSM. We summarize insights into their leadership effectiveness and describe how their leadership impacted their annual results.

Self-Awareness

In this section, we dissect the concept of self-awareness, a critical attribute for small business leaders. Self-awareness is the capacity to recognize one's strengths and limitations, resulting in behavior change. In other words, the willingness to hold a mirror up to yourself and act on what you see.

We introduce a comprehensive self-assessment tool capable

of yielding an in-depth, quantitative perspective of your leadership effectiveness across each component of the High Impact Leadership modelSM—Motivators, Business and People Judgment, and Derailers.

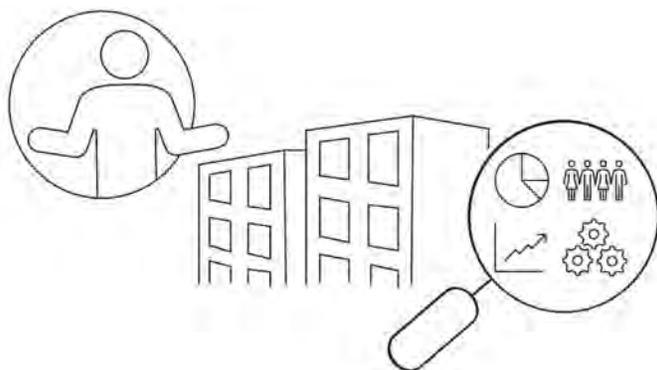
The last part of the section continues our focus on self-awareness by discussing the second piece of its definition: taking action to change. There is little value to a leader knowing where one should improve but failing to take action to change. Behavior change focused on performance improvement is typically referred to as development. Our approach to development enables leaders to act on the results of their self-assessment. We explore the three Development Domains available to small business leaders.

What Is the Ultimate Value of Reading This Book?

We hope you not only read *From 50 to 500* but also interact with it. Those interactions will lead to insights relative to our small business leaders and, more importantly, to a personal understanding of your leadership effectiveness. Your insights represent the basis for reinforcing what you do well and strengthening areas in which you would like to increase your effectiveness. In other words, *From 50 to 500* helps you become a more effective leader who positively impacts your people, results, and potential to grow as a company and as a leader.

Section I

Leading in High Growth Environments



This first section establishes a foundation critical for our collective success. Chapter 1 ensures everyone understands how we look at small businesses. This book is written for a unique group of leaders with distinct business challenges and, by all indications, the most significant opportunity to build and grow a company quickly. But unfortunately, the small business leader is not well understood by governments, academics, practitioners, and service providers.

We need to begin by agreeing on the range of companies categorized as *small*. Not every firm with fewer than five hundred employees is the same. *The Potential for Rapid Growth model* is our approach to segmenting this range of small businesses. You should know why and recognize what makes companies like yours, with more than fifty full-time employees but fewer than five hundred, a distinct category. We did not just pull these numbers out of the air. Statistics and trends worldwide indicate that companies in this range are the most likely to experience variable growth rates. There are incredible opportunities for leaders of such companies, but the challenges are equally consequential.

Once we are all on the same page about who you are and the markets in which you operate, we will introduce our leadership model. The framework is intentionally uncomplicated and straightforward; businesspeople can quickly appreciate and understand the variables necessary to effectively lead in the PRG. That does not mean the model lacks an underpinning in science—it does. Our work is competencies-based, a construct pioneered in the early 1970s by psychologist David McClelland of Harvard.

The thirty-second summary of McClelland's work is: If one wants to know what an exceptional policeman, social worker, schoolteacher, or business leader looks like, sit down and watch what the best do every day. High performers in any field demonstrate a set of behaviors—skills, abilities, knowledge, and attitudes that collectively differ from all their peers. One

can observe and report those unique behaviors in a *competency* model. The competency model is *predictive*, meaning, if a police officer regularly exhibits the model's behaviors, they are typically an exemplary officer. The same would be true of a high-performing teacher, craftsman, salesperson, or business leader. Why are we emphasizing McClelland's work? Because it is rooted in behavior—what you do or don't do, say or fail to say. A competencies-based approach shows you what effective and ineffective behavior looks like. Most importantly, leaders can learn to review their actions and plan to better model more effective behaviors.

We have invested years profiling you, your business challenges, and opportunities. The result is our unique form of a competency model, the High Impact Leadership modelSM. Our model is the basis for achieving insights into effective small business leadership within rapid growth environments. Chapter 2 describes the model, explaining how a combination of Motivators, Business Judgment, People Judgment, and Derailer avoidance reliably results in highly effective leadership decisions. Those decisions have a significant impact on your company's success.

Let's begin with the statement that summarizes our audience and sets the stage for everything we do throughout this book: *size matters*.

Chapter 1

Size Matters

The world is complex. Each day we encounter a limitless assortment of products, services, opinions, lifestyles, and leisure activities. Yet, somehow, most people navigate this cacophony we call life and comfortably make choices. For example:

One expects speed limits to vary, depending on the nature of the road and the population surrounding a street. Traffic signs indicate different speeds for distinct locations. We have yet to encounter a speed sign that reads, “Fast” or “Slow.”

Or,

When you reach in to adjust the water temperature of your morning shower, the handle moves incrementally from cold to hot. Most people find a comfortable position within the range of the two extremes. Have you ever seen a shower with only a “hot” and “cold” setting?

Almost everything in life exists within a range of two straightforward and easy-to-understand descriptions, like *black* or *white*. But we are capable of understanding what lies between—*the grays*. Businesses, government, and society provide context and guidelines to help us understand the differences between the extremes.

For as complicated as the world is, human beings appear quite capable of differentiating broad categories of products, services, and settings. What if we told you many do not understand the range of businesses outside the extremes of *small* and *large companies*?

It's true!

We have researched the range of seminal works, explored the

history of small business advocacy in both the US and Europe, and surveyed thousands of businesspeople to find common ground. We thought, *Surely there must be some universal standard for recognizing different types of business as they grow and develop.* There is not. One might wonder if this phenomenon exists because there is no need. Perhaps researchers and practitioners have ignored this space because they believed the nature of business and leadership is relatively the same, regardless of a company's size and structure. We say company size matters because it does. We would argue (and suspect you, as a small business leader, would agree) that professionals must understand the difference between small, mid-sized, and large companies because they are different beasts. These organizations require different approaches to everything, from operations, to planning, and strategy. Without a doubt, leaders of these businesses face distinct challenges as their companies grow and become more formalized. Yet, small to mid-sized companies are unique and ignored by the academic and professional communities. There are few guidelines and practically no research dedicated to building a better understanding and support for these organizations and the men and women who lead them.

Let's take a look at the current landscape of knowledge relating to small and mid-sized businesses. We will let you judge the degree of insight.

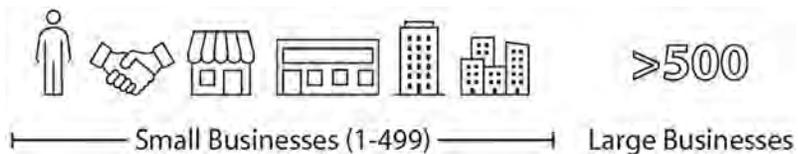
An Imperfect System

In the US, since the 1950s, the Small Business Administration (SBA) has set the standard for how we define the size of a company:

An organization with 500 or more full-time employees is a large company. Businesses with fewer than 500 employees are small companies.

That's it. No more questions. Nothing else to consider. Further categorizations do not exist. The European Commission (EC) was discerning enough to break up the range of small business enterprises into three categories: micro, small, and medium. The EC also uses full-time employees to differentiate firms and then adds a minimum revenue variable. This additional effort provides a little more insight into the assortment of organizations that make up the marketplace.

The fact is, throughout the world, we use a binary method to classify business. The “black” and the “white” are defined. Is the approach inaccurate? It would help if you started somewhere, and five hundred full-time employees consistently appears to indicate a company is large. But the range between one employee and 499 is not homogeneous. A company looks different as it grows from five people to fifty, one hundred, or more. We have no guidelines to talk about the “grays.” What are the types of businesses within the broad category of a small company? Likely, several distinct groups exist, ranging from sole proprietors or partnerships to mom-and-pops, small companies, and mid-sized companies.



When you say you are the leader of a small business, most people have no concept of your organization’s size, scope, or impact. They might think you own a local retail store or restaurant. Some will think you run a mom-and-pop operation or work from an office in your home as a freelancer. Imagine those people’s faces when you tell them you employ fifty, one hundred, or even three hundred associates and conduct business worldwide. What do they think when you report your organization earns millions in yearly revenues, and you are growing every year? Now they are thinking,

Oh, that's a big company. But you know that is not the case.

As an organization begins to grow, adding more people and layers of structure, it starts to look like a large company. The challenges leaders face become more complex and consequential. Such a company may appear big, but in many ways, it is still small. The availability of resources, the margin for error in executing plans and strategies, the ability to attract talent and invest in long-term initiatives, and the skills and abilities necessary for leaders to affect the company's future are distinct and often limited. In other words: *you may look big, but you are not*—the size of your company matters.

We have observed growth-oriented small companies are misunderstood, frequently mischaracterized, and almost always underserved by government, practitioners, service providers, and business researchers. Small business is simply the Wild West of business and leadership knowledge. Why? In part because the government agencies that set the standards for company size have failed to define the nature, structure, and challenges of companies within the overly generalized category of “small.”

Startups and Entrepreneurship

Startups are the inception and preliminary stages of a company. No one knows the future of that company. A startup could quickly grow into a large company. That same startup could be a small, growing company. There is a high likelihood that a startup will not exist in five years—it could fail, be acquired, or experience some other exit event. Small businesses have gone through the early development stages. As an established company, a small business is more likely to attain ongoing sustainability. Data from across the US and Europe regularly indicates that companies successfully operating for five years are two-thirds more likely to survive ten years or longer. Small business leaders build organizations with long-term potential for growth and profitability. Their companies are not

startups, and organizing or acting like a startup organization is antithetical to their missions.

Many of the small businesspeople we interviewed or have observed over the years are, without a doubt, entrepreneurial. But from our perspective, this is a mindset that can be attributed to part of their success. They are enterprising and taking creative approaches to growing their business. These leaders understand that innovation is more than cutting-edge technology but all about how one looks at and embraces change in everything, from technology, social norms, government, or the environment, and adapts to those changes to make better products and services. Sometimes the move has nothing to do with the things a business offers customers but the processes and approaches it adopts internally.

We would be hard-pressed to identify a leader who did not demonstrate a degree of entrepreneurial thinking in their role. We point this out because the likelihood of a book or any existing frameworks explaining entrepreneurs has little value to someone leading a small or mid-sized company. Without a doubt, small to mid-sized business leaders demonstrate a degree of entrepreneurial thinking. Still, being innovative and enterprising are not the only capabilities a leader must show to navigate growth successfully.

Academic Perspective of Small Business

Our research indicates the academic community has not found a rallying call to discover new ways to understand and support small businesses. A comprehensive literature review of the seminal works in management and leadership revealed that small business has little representation. Much of the most famous theory relied exclusively on data from large, publicly traded companies. Some of the most well-known frameworks purposely excluded small companies from the study data. For example, perhaps the world's most famous business book (reprinted for

the twentieth anniversary in 2016), *In Search of Excellence*, is a comprehensive study of how successful companies were created and led. The authors specifically noted they did not include small companies because they did not consider them consequential or influential. Be it lack of meaningful data or a reluctance to see a small company as distinct, most management and leadership works do not provide different insights for the small or mid-sized company leader. A cursory review of the related disciplines is similarly void of small business knowledge.

Thousands of colleges and universities promote undergraduate and graduate programs specializing in small business. The typical curriculum applies general management, operations, accounting, marketing, and finance theory and mixes in classes on entrepreneurship, innovation, and startups or business planning. Little of what we have seen in curricular approaches to small business addresses the needs of a small to mid-sized business leader. When we speak with business professors about growing small companies—that path of going from fifty to seventy-five to one hundred employees, we often are met with alarmed faces. Many have been quick to say, “We may be teaching business too generically and are not speaking to the needs of a significant group of companies and leaders.”

Don’t get us wrong—some researchers are looking into classifying the range of small companies. But the collective works and knowledge currently available to support business leaders like you are less than complete.

Many Firms—Little Insight

An imperfect system for classifying and understanding small companies, confusion with startups and entrepreneurship, and a lack of business knowledge that genuinely speaks to the distinct nature of small to mid-sized companies—we see a major hole.

Small businesses are a substantial group of companies that people do business with, are employed by, or encounter. In

the United States alone, companies the SBA reports as “small businesses” employed over 158.9 million people. Just over 1 percent of the companies across North America and the European Union are considered “large.” These are impressive statistics. But inherently, one looks at those numbers and has to wonder: *How does one break that 99 percent of “small companies” into meaningful categories?*

We inevitably arrive back at the SBA’s *Rule of 500* and recognize the problem with the black-and-white categorization of small or large businesses. The system uses one variable: the number of full-time employees. Perhaps this is the first problem with the framework. Some want to consider other variables to judge the size of an organization. Researchers have suggested including variables like yearly revenue, number of physical locations, and years in business. We can see how tempting it would be to evaluate other factors. Still, we would argue employee count might be the only reasonably equivalent variable one can compare among the range of small companies spanning thousands of industries. Revenue is relative to industry and products; margin and cost differences immediately make an income variable a poor factor for comparison. Certain businesses may require more physical locations because of their business model, but is a three-store bakery bigger than a sixty-person research firm located in one building? The arguments for most added variables are not compelling. But people as a variable makes a lot of sense.

Size is ultimately about your capacity to serve the market. You need people to advance your operations, and you will bring on more people when you want to grow. We believe defining company size by full-time employees is a pretty easy-to-understand and compelling approach. The more you grow your company, the more structure, management, and leadership are necessary. The challenges to leaders change. As you move from five associates to fifteen, a leader will start to find his view and

oversight of the organization more challenging. The day-to-day operations change. Grow to fifty, and you begin to build layers of managers. As you grow, the layers of managers and leaders increase, and the organization will look more and more like a large company (from both the outside and the inside). Leaders often struggle with the concept of “control and oversight” as their companies grow.

The father of management, Peter Drucker, shared this point of view. He is the only noted business researcher to have ever published any theoretical work on differentiating small and large companies. Not surprisingly, Drucker thought the key was people and levels of management. He proposed that leaders have key people, a handful of direct and indirect reports, whose role is to complete their understanding of the organization and current operations. When a leader must go outside those key people to find information, this was likely an indication your company was growing beyond what most people in the 1960s would have thought a small company. Drucker suggested that more levels of management and structure indicate a larger company.

This leaves us in a precarious situation. The system established by the SBA (and later the EC) is a reasonable and relatively accurate approach for determining the broad categories of business size: *small* or *large*. However, what we recognize is the gray area within the category. There is a range of different-sized companies, and no one has thought about the needs of an organization and how varied the leadership challenges become as it grows within the category.

A Meaningful Look at the Range of Small Companies

There are over 63 million firms doing business in the United States, Canada, Mexico, and the European Union. Again, 99 percent of all companies operating in North America and across the European Union are small businesses. Below is a breakdown

of establishments in those countries using classifications common to national census databases.

A World of Differently-Sized Firms



Employees	North America			European Union
	United States	Canada	Mexico	
< 50	32.2 m	1.2 m	4.8 m	24.4 m
50–250	218.4 k	51.2 k	29.1 k	49.1 k
250–500	39.3 k	7.3 k	2.5 k	7.0 k
> 500	58.1 k	2.9 k	7.5 k	22.6 k

Approximated from US Census, Government of Canada, Statistics Mexico, and Eurostat

How does anyone differentiate the types of organizations everyone has lumped into this category of *small companies*?

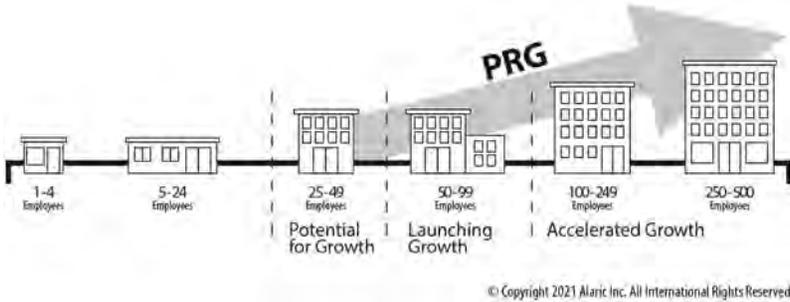
We would advance a framework for segmenting the range of small companies complete with universally recognizable names and meaningful definitions of the business structure and best practices in the ideal world. Unfortunately, such a system is beyond the collective reach and influence of the authors. And we are not sure anyone could devise a formal system the government could implement that would not be overly complex and produce universally accepted and understood results by businesspeople and consumers. The SBA took over twenty years to come up with the existing system.

We would ask: *When you see the EC terms of micro-firm, small-firm, and mid-sized-firm, do you intuitively understand what each of those companies looks like?* After years of research and our professional experiences as small business leaders and in the executive development practice, we have realized there is no perfect nor universal system for defining the range of small businesses. But there are purposeful, easy-to-understand approaches for segmenting small companies. We have developed a framework in which companies are grouped by employee counts equating to stages of growth. For leader development, we think it is less about the names—small, small

to mid-sized, mid-sized—and all about the challenges inherent with the changing structure of a growing company. We will use the term “small business” throughout the book, but our focus is specific to your growth stage and the implications as a leader.

The PRG

One long-term trend in most of the small business data reported across North America and Europe is a small but appreciable percentage of companies classified as “small businesses” grow beyond the fifty full-time employee mark. Firms with more than fifty employees tend to grow rapidly over five years. The data also suggest that most quick-growing small companies slow and often peak around three hundred employees. Thus, a fraction of a percentage of small businesses grow to become large companies. We analyzed this trend and looked at the growth patterns a typical company might demonstrate over time. We reviewed case studies of firms throughout the world that characterized growth and interviewed small business leaders about changes they experience in their organizations. Our analysis led us to believe specific organizations are well-positioned to quickly develop a more significant industry presence, increase market ownership, attract more customers, gain competitive advantage, earn more significant revenue with improved margins, and enhance internal efficiencies as well as associate engagement. There are several stages of growth during which organizational structures and needs will dramatically change, and small business leaders must be well prepared to understand the challenges to grow their companies most effectively. The *Potential for Rapid Growth* model (PRG) is our approach to segmenting the range of small businesses and focusing on a distinct group of companies most frequently misunderstood and underserved by academics and practitioners. As we said earlier: *You look like a big company, but you are not.*



The PRG uses buckets of full-time employees to characterize organizations within the range of companies people call small businesses. When you think about the structure necessary to manage or lead a company within a particular bucket, you can identify the degree of formality and complexity that characterizes the organization. You can also begin to visualize the role a leader must play as they manage through varied stages of rapid growth.

At the low end of all small businesses are companies with less than five employees: the sole proprietors and professional partnerships, contractors, and local service businesses. These companies are likely flat and informally structured. The owner is a *doer* whose productivity is typically the primary driver of company success. Such companies are the backbone of the world's economy, representing almost 55 percent of all small companies. Structurally, the next bucket is closely related. A business employing between five and twenty-four full-time employees is more significant. Still, it probably looks like the companies in the first bucket: flat, informal, and a high degree of owner engagement in the production or service offering. Together, these two buckets represent just over 74 percent of all small companies in North America and the European Union. The PRG does not explicitly target owners of companies within these two buckets. From our perspective, these are the types of companies most people think of as small businesses—the neighborhood stores, the mom-and-pops, and

local restaurants, and the like. Although the owners of such companies are hardworking, industrious, and driven, the nature of the business is often not predisposed to growth. One might question our willingness to dismiss such a sizable portion of the small business population, but remember, these are established businesses. If we were evaluating startup companies, we might be inclined to factor a percentage of these companies into our model; the assumption being some would move along the range in the future. But we know most of the firms in these categories have remained around the same employee count for three to five years.

Potential for Growth

The next bucket represents the onramp to the PRG. It includes organizations with twenty-five to forty-nine full-time employees and is the most nebulous grouping.



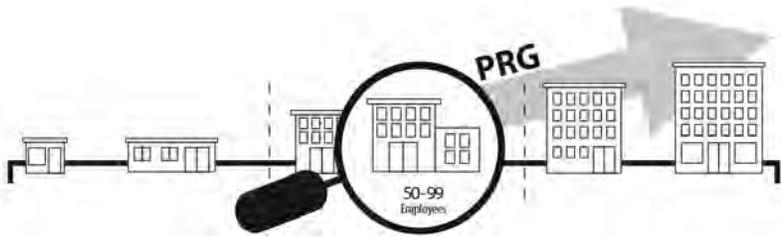
The sample data of companies inside this range often illustrate two types of companies. Some are an extension or the “bleed-over” from the second bucket. The structure remains informal; a level of supervisors has developed to support the owner. An excellent example of this bleed-over might be a family restaurant that became so popular that the owners opened a second location. Again, the nature of the traditional small business is flat, informal, and often local to an area. Some will, over time, experience a degree of growth in staff. However, the basic structure stays the same.

A portion of this group is different from the companies described as bleeding over from the last bucket. Many organizations begin to build a structure as associates grow from twenty to thirty or forty. Some will be organized with supervisory and even executive roles. These are the companies with the potential to grow. Our data indicates about 4.9 million of these firms exist across North America and the European Union. Our analyses suggest a fraction of companies in this bucket increase in size, capacity, or market presence. We speculate the catalyst for future growth lies firmly with the company owner. Many business owners have a scope of impact in their minds. Not everyone is driven by a mission to expand and dominate a market. A portion of these companies are revenue-driven tech and venture-backed startups. A fraction of these firms will advance and quickly become large companies. Some will exit through a merger or acquisition. Many will fail. If you are a company leader with the potential for growth, this book and the leadership model should be inspiring and helpful for your development.

The following three buckets of the PRG describe rapidly growing companies throughout North America and the European Union. As of this writing, nearly half a million firms are experiencing some degree of rapid growth. We see the expanding employee count as the trigger of this growth because the more associates in your organization, the greater the complexity. The company will require additional levels of management. Directors and officers with specialized skills are needed to advance strategy. A leader's role in the company is changing, moving from a doer and manager of people to truly being a leader who must face new challenges and make critical decisions. The buckets represent companies at two crucial stages of organizational size and development: *launching growth* and *accelerated growth*.

Launching Growth

An organization with fifty to ninety-nine employees sits at the start of the PRG, beginning to add people and build greater formality throughout the company. We call this the *launching growth* stage.

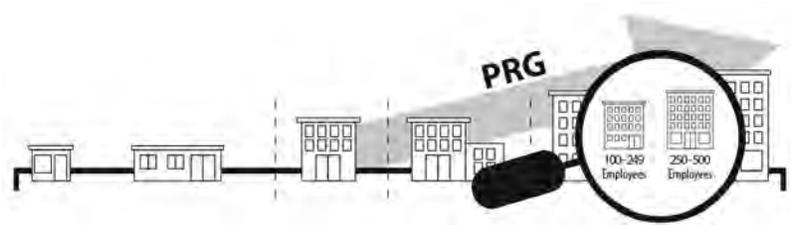


Census and SBA data suggest most companies grow from fifty to one hundred employees in a relatively brief time, typically one to three years. Imagine how different every aspect of the company looks when it almost doubles in size at such an accelerated pace. The company appears established and organized. The leader has a comprehensive view of the day-to-day operations. Likely, the decisions one makes are predictable, and leaders are comfortable making choices. Then growth occurs. The aggressive pursuit of market presence, sales, and influence in the industry changes the company's look, feel, and pace. New employees quickly arrive, and a leader's view of the company changes. They can no longer touch every aspect of the business. Their key people are growing in number and taking on more responsibility and decision-making throughout the company. There are more challenges and day-to-day decisions of consequence to be made. The pace of the growth introduces complexity throughout the company and changes the roles and responsibilities of most leaders.

Accelerated Growth

As a company moves past the initial stage of launching growth,

the potential for ongoing, consistent development is maximized. The data suggests that growth beyond one hundred employees also occurs quickly and then begins to taper off for most companies as the employee count exceeds three hundred. As a result, few firms continue to grow and transform into what the SBA would consider a large company (over five hundred full-time employees). In effect, this is the transformation to what many would call a mid-sized company.



We consider this stage of the PRG as a time of accelerated growth. Again, what might this company look like? As its market presence increases, so too does the size of the organization. People arrive at every level, but a large percentage of new hires are likely to be entry-level support, sales and operations staff, and supervisors. The organization will typically become more formal and organized; additional layers of management appear between the leader, their direct reports, and most associates. The pace of change and the complexity of decision-making will increase. Leaders will inevitably face new and unfamiliar situations they must evaluate and then react to.

The PRG represents organizational growth that propels companies toward more significant opportunities and increased value but simultaneously introduces a series of changes that can challenge even the most capable leaders. Across the broad and homogeneous range of companies with as few as one or two employees and as many as five hundred, the PRG helps one better identify several stages of growth that equate to

what people might think of as a small or mid-sized company. We use the buckets to clarify the role a leader plays as their company progresses through the PRG. As growth occurs and organizations become more formalized, leaders must adjust their approaches and develop specific capabilities to be effective decision-makers and impact the company.

Leaders can use the PRG to understand what their company looks like. Call it whatever you like—*small, micro, mid-sized*; the critical takeaway is your recognition of what your company's current size and organizational structure mean for you as a leader. Once you understand this, you can begin to assess your performance and start developing a particular set of capabilities that will make you a better and more effective leader.

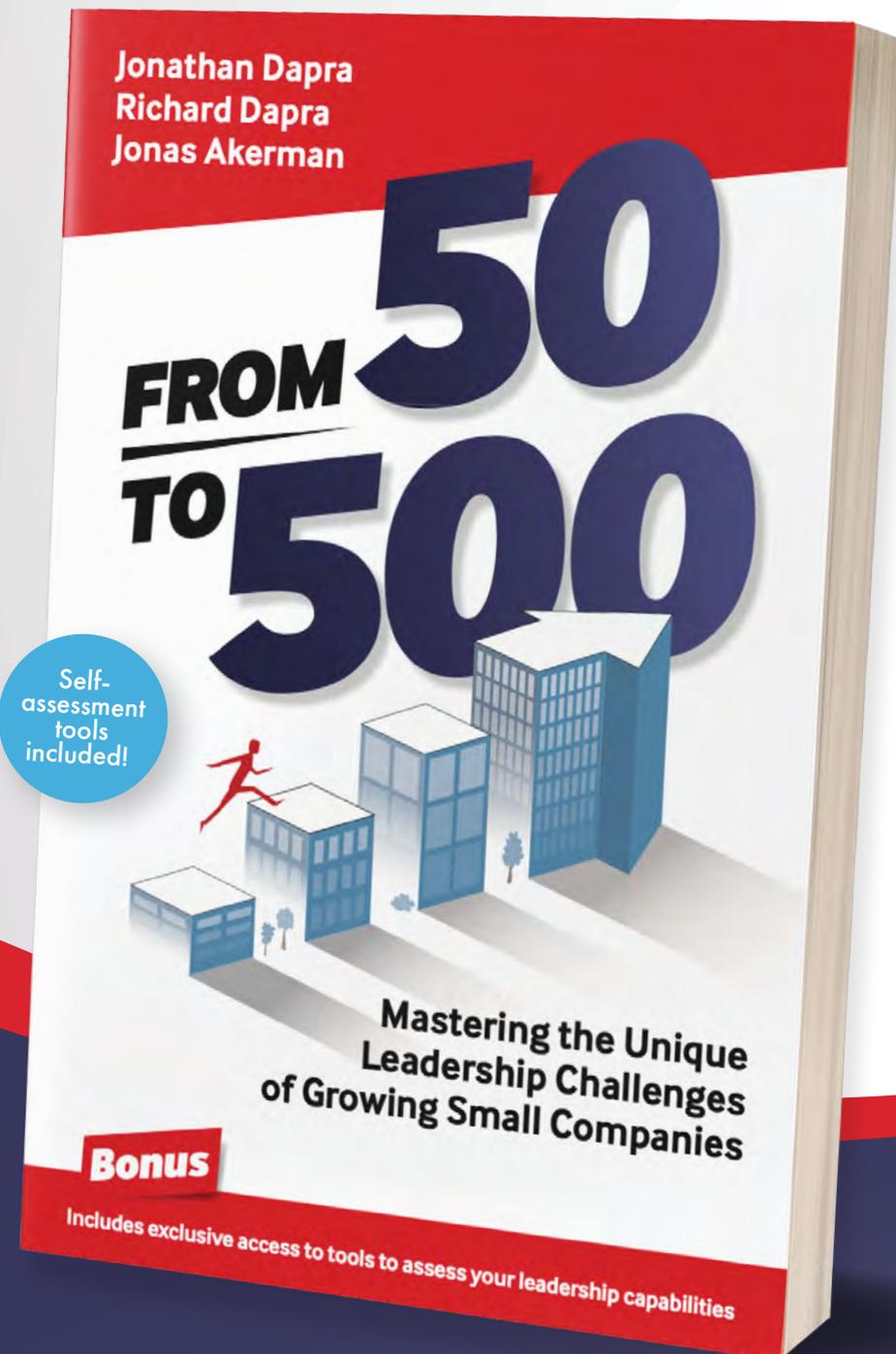
Now that we all agree on the types of companies in the PRG, we can look at our model for developing high impact leadership within this rapid growth environment.

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“From 50 to 500 represents a comprehensive, highly functional toolbox for the small business leader.”

Marty Strong
CEO, LGS Management Group
and Leadership Author

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