Back to the Basics

If growth is so important to companies, why are they going about it all wrong?

By Larry Farrell

In her economic forecast earlier this year, Gail Fosler, The Conference Board's chief economist, wrote in this magazine: "Last fall's Conference Board CEO Survey cited top-line growth as business leaders' most important challenge in every global region." A quick look at today's Fortune 500 shows it's a challenge not being met by big business. Thus far in the twenty-first century, Fortune 500 companies have averaged 3.4 percent annual revenue growth. Take away a couple of percentage points for inflation and all the acquisitions of small and mid-sized firms, and the rate of real, organic revenue growth at America's biggest companies drops to . . . well . . . just about zero.

What to do about this state of affairs? Should giant companies hire more management consultants to redo their strategy—again? Who knows, maybe the next big theory dreamed up by the consultants will actually work. What about engaging in another megamerger to create that long-promised synergistic growth? Could it be that two plus two, for the first time in history, will finally equal five? Or how about another big reorganization—that hated code word for firing people? Can big business really make itself bigger and bigger with fewer and fewer people?

Hold those thoughts for a moment, because I have a simpler, cheaper, and time-tested alternative you might want to try first. It's based on the notion that since creating growth is the acknowledged domain of entrepreneurs, why not take a look at what they and their companies actually do to create high growth—and instill those same practices in your own sluggish organization? It's not as alien as it sounds.

Not too many years ago, your own company was a young, entrepreneurial enterprise. But ironically, what happens, especially to growing companies, is an all-too-familiar story. As the good years click by, complacency sets in, bureaucracy mushrooms, and smart, young MBA-style managers take over. The original entrepreneurial spirit, which got the company going in the first place, gets buried under an avalanche of management theories, concocted paradigms, and raging bureaucracy. To start growing again, you need to dismantle all this organizational gobbledygook and start over with the high-growth, entrepreneurial basics.

But what exactly are these basics? For starters, the most fundamental thing I've learned in twenty-two years of researching and teaching entrepreneurship is that growing a business and managing a business are separate universes. So the easiest way to learn them may be to picture yourself as a start-up entrepreneur, facing your own personal moment of truth. Imagine that it's your first day as an entrepreneur. You want to be successful and you want your company to grow. You sure don't

Larry Farrell is the founder of The Farrell Co., a worldwide organization that researches and teaches entrepreneurial practices. His most recent books are Getting Entrepreneurial! *and* The Entrepreneurial Age. *He can be reached via www.TheSpiritOfEnterprise.com.*

want to go bankrupt! You've mortgaged your family house to raise the money to get started so that everything you have is on the line, including the welfare of your children. And with your limited financial resources, you have to get started fast! So what will you concentrate on? What are the most important things you have to do to start up your own business? Here's a glimpse into how it usually works.

Entrepreneurs face the consequences of their performance *every day*.

Customer/product vision. About fifteen minutes into the first morning of your fledgling business, it hits you like a ton of bricks: Who's going to pay your salary for the week? You certainly don't have a payroll department to cut a check. In fact, you don't even have the cash to cover a check. The sweat begins to break out on your forehead. Then the moment of truth flashes before you: The only way you're going to get paid this week—and every week for the rest of your life—is to make something or do something for which someone in the world will pay you cold, hard cash. You need a product and a customer—this week!—or your kids won't eat. Welcome to the world of true believers who know exactly why a clear "customer/product vision" is the most essential of all entrepreneurial practices.

High-speed innovation. Next, as you contemplate creating the product and finding a customer, two more insights hit home. First, you realize you have to do this in a hurry. So you start working at high speed—not because it's your natural bent but because you have to get this done before you run out of cash. The second insight is that the very best chance you will have of getting people to buy your product is to make sure that it's different and better than other products they could buy. So you know you'll have to be a bit innovative to come up with something that is better, or cheaper, or faster, or easier to use, or *something* to give you the competitive edge.

Self-inspired behavior. Fast-forward a few months. You've successfully created and produced your product. You've also managed to sell or service a few customers. Now your thoughts turn to growing the business a bit. You can handle the current product and customer load, but you can't do much more. There just aren't enough hours in the week. You're going to have to take on a partner or an employee to help you grow. So you search around for relatives, friends, or former colleagues who are willing to take a chance and sign on with your tiny business. After you hire one of them, get him trained, pay him a couple of times, a brand-new thought begins to sink in. If this first employee brings in a few additional customers over the next six months, the company will grow and everyone will be happy. If, on the other hand, this first employee doesn't bring in any customers for six months, you're probably facing bankruptcy. Since you can't afford having half your workforce contributing nothing to the cause, you see your worker's output as a matter of survival. But your employee sees it as just another point to cover in his first-year performance review.

Eureka! You've just tripped over the single greatest difference between entrepreneurial and bureaucratic behavior. Entrepreneurs face the consequences, positive or negative, of their performance *every day*. These consequences come directly from customers, and they are timely, accurate, and powerful. This never happens in a bureaucracy. To inspire others to help you grow your enterprise, you have to instill the power of consequences—from day one—in all your employees.

Sense of mission. Somehow you survive all these challenges and complete your first year as an entrepreneur. You've become rightfully proud of what you and your small team have accomplished. You believe that what you're doing is important and it has the potential to create great value—for customers, for employees, and, of course, for you and your family. You even allow yourself to think you may be creating a bit of a legacy—or at least leaving a few footprints in the sand. You are now deep into that over-arching entrepreneurial practice I call "sense of mission." You'll know you're getting it when, for the first time, you take a few quiet moments to contemplate what marvelous and profound things the company could achieve over the next several years. At the most practical level, you've learned that any successful business mission really boils down to making great products or services that customers really want. But beyond that, having a powerful sense of mission, or purpose, about your life's work is perhaps the ultimate competitive advantage for entrepreneurs and employees alike.

The good news is that all companies can re-learn and re-instill the entrepreneurial basics. The bad news is: If you don't, all the new strategies, mergers, and reorganizations in the world aren't going to get you an ounce of real growth. ♦