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Growing Pains: Transitioning from an Entrepreneurship to a Professionally Managed Firm

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Book Review *Growing Pains*

Michele K. Masterfano

Eric G. Flamholtz and Yvonne Randle, *Growing Pains: Transitioning from an Entrepreneurship to a Professionally Managed Firm*, San Francisco: Jossey-Bass, 2007. 472 pages, \$50.

The vast majority of books on entrepreneurship seem to focus on the start-up process. But what happens when a company is successful, and begins the growth process? How does the entrepreneur continue the momentum to build a lasting business? The fourth edition of *Growing Pains* purports to tell the entrepreneur how to do just that. This edition, according to the publisher, is completely revised and has added subjects that readers of earlier editions had requested, specifically the area of strategic planning.

The book is broken into five major sections, with a total of 17 chapters. The various sections of the book cover the areas of developing a framework for a successful company, management strategies, tools of professional management, advanced aspects, and personal aspects for CEOs and other senior leaders. Each section is comprehensive, with information about the topic and generally including several case studies.

Part One focuses on providing a framework for building successful companies. It explains that growing companies invariably develop growing pains. Some of these growing pains, which should be recognizable to a broad cross-section of entrepreneurs, are the fact that too many people in the company spend their time putting out fires; that there are not enough good managers in the company; and that the company is growing in revenues, but not in profits. The authors promise to provide prescriptions for combating these and other growing pains.

One of the ways of combating the growing pains is by focusing on what they describe as a pyramid of organizational development. This pyramid builds on a foundation comprised of the business concept, the strategic mission, and the core strategy of the organization, and includes six key organizational development tasks that must be taken into account. These six areas include markets, products and services, resource management, operational systems, management systems, and corporate culture.

The remainder of Part One describes the four stages of entrepreneurial development that the authors have defined based on their experiences in their consulting practice. Each stage of development is defined by its description, its critical development areas, and the approximate size of the organization in revenues. This last category is broken down by manufacturing firms and service firms, with service firms expected to have about one-third the revenues of a manufacturing firm at each stage of development.

Part Two focuses each chapter on one of the four stages of entrepreneurial development introduced in the first section. Each chapter discusses the key issues at each stage, providing examples of those key issues with information from real companies, sometimes disguised. The chapters also include information on the keys to success at each stage, and also how a firm makes the transition from one stage to the next.

Part Three in many ways is the heart of *Growing Pains*. It provides details on how one constructs a strategic plan and structures an organization for success, as well as discussing issues of management and leadership development, culture management, and the ever-important need for organizational controls and performance management systems. Again, real-world examples are provided with every major topic.

If the reader has made it this far, Part Four will provide for some interesting reading. This section focuses on what are claimed to be advanced aspects of a growing company. The first chapter focuses on advanced aspects of strategic planning, while the second discusses issues that very large companies must consider. The final chapter in this section details some of the advantages and disadvantages of going public, as well as giving a flavor of what goes into both making the decision as well as the IPO process itself.

Finally, the last section, with only two chapters, discusses some of the issues that family businesses face, as well as the personal aspects that a CEO may struggle with as the company grows and requires additional management and specialist talent. Family business is not ignored in the prior chapters, however, this chapter does cover the topic a bit more comprehensively. It even includes a section on the family business "albatross"; that is, the family member who maybe should not really be supported by the business, but can not seem to make it anywhere else.

The information regarding the personal transitions the CEOs of growing entrepreneurial firms must make takes a stab at helping these embattled individuals understand their options more clearly. These options range from doing nothing at all to selling the business, besides the more typical bromides of either changing personally or bringing in professional management.

Growing Pains is written for the businessowner, and is quite comprehensive in its review of the needs of entrepreneurial firms and their owners. It also includes a bit of an organization development point of view, as this is the focus of the consulting business managed by the two authors. This is a valuable resource for most entrepreneurs, as in many ways it provides a complete management education in one volume.

There is much useful insight in this book, including the authors' pyramid of organizational development. This is a concise representation of what businessowners need to consider in building their businesses as well as an effective roadmap for understanding the many transitions needed when a business moves from start-up to significant revenues. Another useful roadmap is that of the three levels of strategy—the core strategy, the supporting strategies, and the operational strategies. Many small businessowners tend to think that either strategic planning is not important for a business their size, or they think that it is blue-sky planning that only delineates the big idea toward which they are striving. The figure presented here, that of three concentric circles, is another concise way of describing the important elements to be considered, and how one leads to the next until the business has a clear plan to get where its leader wants to go. Finally, there is quite useful information presented on the various tasks of management and leadership as the company starts building a hierarchy.

The book, however, can at times be quite repetitive. There is a rehash of the four stages of entrepreneurship in many of the chapters, and the transitions required of leadership also get repeated. In some instances the authors are a bit too concise, as in their strategic board, where they argue that all markets can be categorized into one of three tiers, where Tier I

is affluent; Tier II looks for a combination of quality, service, prestige, and price; and Tier III is only concerned with price. While this has some face validity, it is extremely simplistic, and does not sufficiently address business markets.

As the authors describe advanced aspects of strategic planning, they are also claiming uniqueness in their argument that operational systems can be considered competitive differentiators. Michael Treacy and Fred Wiersema might take issue with that, given their discussion of operational excellence in *The Discipline of Market Leaders* more than a decade ago.

The real-world examples that are included in the book can be both inspirational and a bit intimidating. Some of the companies described have been wildly successful, growing quickly into businesses that reap more than \$1 billion in revenues. For the typical start-up entrepreneur, getting to \$1 million sometimes seems like a pipe dream. Also, it is a shame that Countrywide Financial is used heavily in the book, with its founder Angelo Mozilo, highlighted often. With the problems that Countrywide is currently facing, including several investigations by federal authorities, the focus on this company can detract from the basic message of the book.

One final concern is that Flamholtz and Randle toss off a comment that management development should include “mind-stretching exercises that are designed to create new patterns of thought and open up lines of creativity” (p. 376). It would have been extremely helpful if one or more of those exercises were described, as they did with so many other concepts in the book.

All in all, however, this is an excellent resource for both businessowners and academics. This book should be on the shelf of every businessowner who intends to grow his or her business into one that lasts. Academics can use the book for either reference in a course on entrepreneurship, or as a text in an advanced course in an entrepreneurship major. Consultants working with small but growing businesses can also use it as a guide in determining how to work with their clients in ensuring that their businesses are able to move past their growing pains.



About the Author



MICHELE K. MASTERFANO (michele@masterfano.com) has been working with entrepreneurial firms for 10 years, after a long career launching new products and new divisions for AT&T. She focuses primarily on business and operational planning, but has also been known to step in and help lead growing businesses on an interim basis. In addition, she is an adjunct instructor at Drexel University, where she teaches organizational behavior, strategic planning, and entrepreneurship courses to both undergraduate and graduate students. She is currently completing a DBA at Argosy University, with a concentration in marketing and management.