# CHANGE MASTER SERIES

# Handling the crisis of entrepreneurial growth

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# Handling the crisis of entrepreneurial growth

The expansion of an entrepreneurial organization always comes with growing pains. Most often, the problems develop gradually but because their impact on performance remains marginal for a while, they are left unattended. Who has time to look at these things when so much is happening? However, as the expansion continues, the issues move up to the surface and so are their implications. You are starting to feel that growth is catching up on you.

Unless changes are made, the situation will continue to deteriorate as quickly as you expand. Your team will have to dedicate increasingly more time and energy extinguishing fires and less driving growth. Customer complains, inventory problems, receivable aging, loss of key people, revenue shortfall… the list goes on. The ultimate risk is for the organization to collapse under the sheer volume of problems (Figure 1).

## Organizational symptoms and typical diagnosis

Launching corrective actions early on is the most effective approach. Therefore, you should watch for early signs that the crisis of entrepreneurial growth is looming. In our experience, the following organizational symptoms represent good indicators.

### "They don't get it!"

Senior executives are becoming increasingly frustrated with the inability of their people to grasp what has to be done to carry forward the plans.

Typical diagnosis: as you expand, the execution of the strategy has to be done through more people. The approach that has served you well in the past to communicate, motivate and coordinate the activities of the various players is not working anymore.

### Turf battles and accountability vacuum

While team members are arguing about evolving roles and responsibilities, more things are falling through the cracks. If only they could stop fighting and become more accountable!

Typical diagnosis: as the organization grew, new employees came on board and responsibilities were divided. However, the new lines of authority and responsibility have not been properly clarified and enforced. In addition, the design of the organization has become an impediment to efficiently operating the business in the new environment.

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### Peter Principle

Some of the old-timers have reached levels of responsibility that are beyond their actual competence.

Typical diagnosis: the steady increase of the business has required the expansion of the management team. Internal promotions have represented an attractive alternative to hiring external talents because these candidates were readily available and could hit the ground running. Furthermore, a promotion is a nice way to reward long-timers for their past dedication and loyalty. However, not all of them

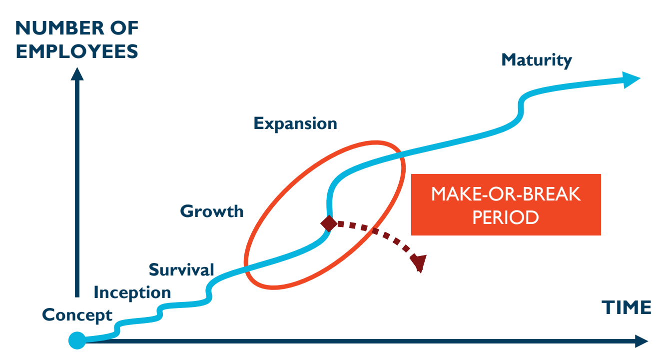


**FIGURE 1 – The crisis of entrepreneurial growth**

 

were quite ready for greater responsibilities.

### Executives on a short leash

Some members of the senior management team are becoming dissatisfied with their limited authority. They feel insufficiently challenged by their work. They would like more leeway.

Typical diagnosis: the founder has brought new leadership on board but is having a hard time fully delegating responsibilities, especially in her own area of expertise.

### Cultural tensions – informal vs. formal

Some team members are advocating for more discipline and procedures. Others are voicing concerns that the bureaucracy is killing the soul of the group.

Typical diagnosis: as the organization grew, employees with a background in larger operations have joined the team. They are the proponents of increased planning, control and coordination. Their views are clashing with the freewheeling culture of the entrepreneurial folks.

## Recommendations

In crafting a corrective action plan, we recommend you consider the following guidelines. They are reinforcing each other.

### Involve more people in business planning

Broader involvement in business planning has several benefits. By taping into the specific experience and insights of additional people, you end up with a better plan than by limiting the exercise to a core few. Involvement also provides people with multiple opportunities to discuss, question and react. As a result, they own the plan and understand thoroughly what it will take to execute. They are committed, motivated and ready to roll into action – the right actions.

### Re-align the design of your organization

Assess whether your organizational structure is still conducive to effective execution. In particular, you should have a business unit dedicated to each of your key market segments. Otherwise they won't receive enough attention and the execution of your strategy will suffer. For example, as you venture into new segments, ensure a group of competent people continues to nurture your "cash cow" by focusing on your core market. Also, pay particular attention to the critical processes that require cross-unit collaboration, often a source of accountability problems. Ascertain that the managers in charge of these pivotal units are respected players who truly value collaboration. The design should also provide appropriate scope of responsibilities to your key executives.

### Don't expect too much from organisational charts

The problem with organizational charts is that they generate more questions than they provide answers. In addition to reporting lines, people need to understand what is expected of them; the things they will be held accountable for; the decisions they have authority to make on their own versus the ones they will have to make in collaboration with others; etc. Simple communication tools are available to effectively address these specific questions, in complement to the traditional organizational chart.

| | Programs | Mktg | Pricing | Recruiting | Resourcing | Delivery | Training / Dvt |
|---|---|---|---|---|---|---|---|
| **CORPORATE** | | | | | | | |
| VP, S&M | P | S | C | C | - | - | C |
| VP, C/S | P | C | C | C | S | C | C |
| CTO | P | - | - | C | - | C | C |
| VP, C/D | P | C | - | C | - | - | C |
| VP, F/S | P | C | C | C | S | C | C |
| Dir, E-Biz | P | C | C | C | S | C | C |
| **FIELD OFFICES** | | | | | | | |
| Dir, Sales | C | S+ | P | S | - | - | S |
| Dir, C/S | C | C | C | S | S+ | P | S |
| Dir, HR | C | C | - | S+ | S | - | S+ |

**LEGEND:** P = Primary accountability; S = Shared accountability, S+ = Lead person, C = Contributor

**FIGURE 2 – The accountability and decision matrix**

 

For example, a technology company expanding into new territories used extensively the *accountability and decision matrix* illustrated in Figure 2.

## Translate strategy into actions through performance management

To translate strategy into actions, the corporate goals must be linked to the performance objectives of the business units, the functions, the teams and the individuals. They have to be articulated in terms that are relevant to the various players. Performance management frameworks provide a proven structure to address this communication challenge. They represent an effective way to motivate, stretch and develop people while facilitating delegation and enforcing accountability. They contribute to increasing effectiveness by moving operational responsibilities down to the most appropriate levels within the organization.

## Leverage cultural tensions to find the most effective balance between intuition and analysis

Growing entrepreneurial organizations should nurture a culture that accommodates the dual need for initiative and control. It is natural to experience the emergence of tensions between the entrepreneurs and the administrators. As long as they are monitored and facilitated to avoid reaching a stalemate, these cultural divergences are healthy. Indeed, they help the organization make better decision by striking an effective balance between analysis and intuition. However, as the process unfolds, you may have to protect the units that require a stronger entrepreneurial spirit in order to succeed.

For example, an engineering company had to exempt one of its field offices from its newly developed hiring policies – so that it could more rapidly hire the critical talents needed to meet local customer demand.

### HANDLING THE CRISIS OF ENTREPRENEURIAL GROWTH

**Typical symptoms**

- "They don't get it!"
- Turf battles and accountability vacuum
- Peter Principle
- Executives on a short leash
- Cultural tensions – informal vs. formal

**Recommended actions**

- Involve more people in business planning
- Realign the design of your organisation
- Don't expect too much from organisational charts
- Translate strategy into actions through performance management
- Leverage cultural tensions to find the most effective balance between intuition and analysis


### ABOUT THE AUTHOR

Edmond Mellina is president of ORCHANGO – a provider of innovative and proven learning programs especially developed for organizations in transition. With its flagship Change Master Program, ORCHANGO is known for world-class change management training.

Edmond is internationally recognized as an expert in the field of change and transition management. He is the creator of the ORCHANGO Change Management System™ and the ORCHANGO Learn-and-Execute System™.

Edmond's articles have appeared in leading business publications around the globe; the media regularly interview him as an expert source.

As a speaker, Edmond addresses audiences on change management, leadership development, multicultural teamwork and the art of influence.

Edmond holds a Master of Engineering from the prestigious "Grandes Écoles" of France, and is a graduate of the Ivey Executive Program. He is fluent in both English and French.

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