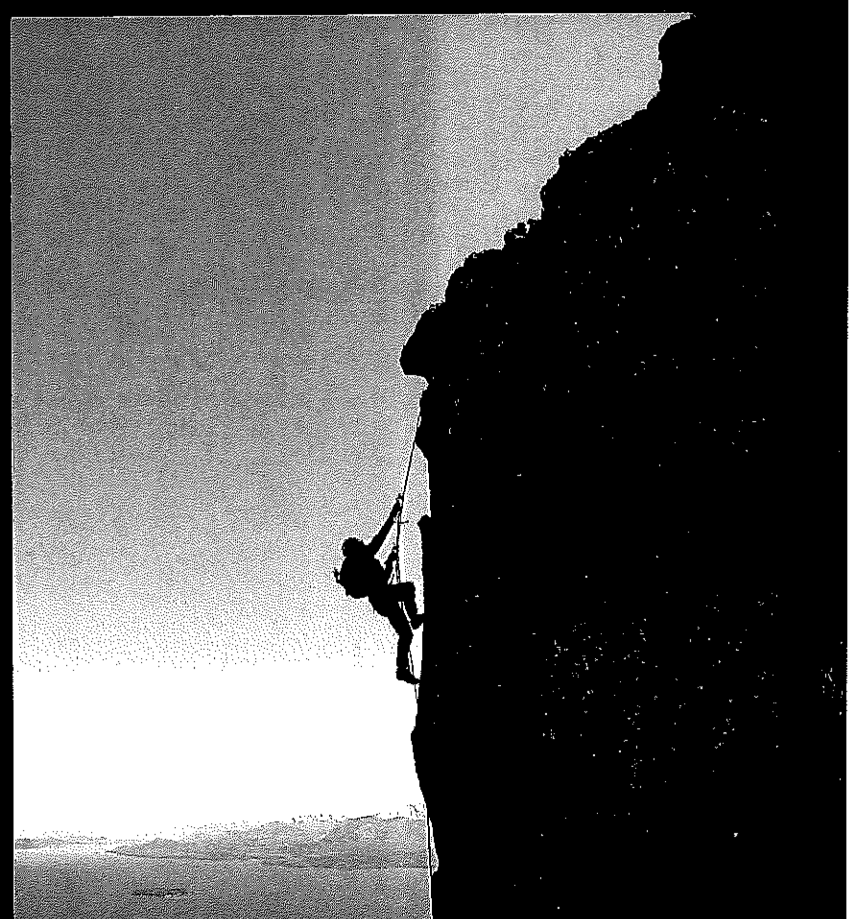
Entrepreneurship

Eighth Edition

Robert Hisrich



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13

STRATEGIES FOR GROWTH AND MANAGING THE IMPLICATIONS OF GROWTH

LEARNING OBJECTIVES

1
To know where to look for (or how to create) possible growth opportunities.

2
To understand the implications of business growth for a national economy.

3
To understand the primary challenges for managing business growth and to be prepared to effectively manage those challenges.

4
To recognize that people differ and to understand how these differences impact their intentions to grow a business.

OPENING PROFILE

BRIAN AND JENNIFER MAXWELL

Brian Maxwell, an internationally ranked marathon runner and coach at the University of California, Berkeley, was leading a marathon race in England when at the 21-mile mark he began to experience dizziness and tunnel vision, which forced him to quit the race. His consumption of energy drinks on the day of the race had failed and motivated him to find a solution for a better energy source. He teamed up with Jennifer Biddulph, a student studying nutrition and food science (now a PhD chemist), and they began the quest for an energy bar that would taste good, be healthy and nutritious, and provide the appropriate ingredients to optimize performance. With $50,000 gathered from savings, they were determined to find a solution.[1]

olympics.powerbar.com

During their three years of research, experts indicated to them that it would be impossible to produce a healthy product because of the large amounts of saturated fats necessary for lubricating machinery in the food bar manufacturing process. However, after many failures, they found the solution. They understood that their efforts required developing a food bar manufacturing process that would not require adding fats for lubrication of machinery and would produce a product that would meet the desired attributes. The product needed to provide a balance of simple carbohydrates for quick energy, complex carbohydrates for longer lasting energy, and low fat for easy digestion. Hundreds of recipes were tested with athletes until the most effective and best-tasting product was found. Continued requests among these athletes to have more of those "power bars" led to the final brand name, and in 1986 they officially formed the company, PowerBar Inc.

Initially the company was operated from Brian and Jennifer's basement. The first products, which went on sale in 1987, were the Malt-Nut and Chocolate flavors. After their marriage in 1988, they moved to a new facility and began hiring employees to meet the growing demand.

Their vision of finding a solution to a serious runner's energy source wasn't the only factor in forming this new venture. Both Brian and Jennifer were determined to create a work environment where employees would feel important and have a strong sense of pride in the company. They wanted a company that did not have all the things that they hated about jobs they had held previously. Thus, they created a work environment where employees are called team members, the dress is casual, and the focus is on sports. To Brian and Jennifer, it was important that their employees enjoyed the workplace and developed an important loyalty and commitment to the company's mission.

In the early part of the 1990s, sales for the new venture increased by 50 to 60 percent. In 1997 sales began to slow and increased by only 23 percent. In 1995 Brian and Jennifer turned down an opportunity to purchase Balance Bar, a producer of an energy bar that targeted the more casual athlete and those who were looking for a nutritious snack. They had believed that their company did not need to add any new products and could continue to grow with the one product. In retrospect, they realized this was a mistake in strategy and that the venture could not survive on the one product, especially when they saw sales begin to stall in 1995. At that time there were many new competitors who recognized the opportunities in a larger market by introducing energy bars for casual exercisers and snackers. So in 1997 Brian and Jennifer began efforts to find new products. In 1998 they launched PowerBar Harvest, a crunchy, textured energy bar available in a number of flavors that would target casual athletes and consumers looking for a nutritious snack. In 1999 a new creamy bar called Essentials and a new line of sports drinks were launched.

Today PowerBar is still the leader in the serious athlete market, and Harvest has just passed Clif bar to become the number three brand in this category. Sales in 1999 reached \$135 million. The company also opened a state-of-the-art manufacturing facility in Idaho and two distribution centers in Idaho and North Carolina. It also established two subsidiaries in Canada and Germany as opportunities for sales growth in international markets occurred.

Brian still runs 40 to 50 miles per week. Jennifer was recently recognized in the first annual Working Women Entrepreneurial Excellence Awards competition by winning for Harvest in the Best Innovation category. In 2000, PowerBar was purchased by Nestlé USA, which intends to grow and expand it globally. Brian Maxwell will continue to play an integral role in the company.

In this chapter, important management decision areas are reviewed and discussed. Building a solid management team and a loyal employee base, recognized by entrepreneurs like Brian and Jennifer Maxwell as being very important during the early years, is discussed in detail, along with financial and marketing control decisions.

GROWTH STRATEGIES: WHERE TO LOOK FOR GROWTH OPPORTUNITIES

In Chapter 3 we discussed new entry as an essential act of entrepreneurship. A successful new entry provides the opportunity for the entrepreneur to grow his or her business. For example, introducing a new product into an existing market provides the opportunity to take market share from competitors; entry into a new market provides the opportunity to service a new group of customers; and a new organization has a chance to make, and build upon, its first sales. Although it is difficult to provide direct guidance to entrepreneurs on a step-by-step process for generating a highly attractive opportunity, in this chapter we provide a model that offers suggestions on where to look for growth opportunities in which the firm may already have a basis for a sustainable competitive advantage. We then investigate the implications of that growth for an economy, for the firm, and for the entrepreneur, as well as the possible need to negotiate for resources from external sources to sustain firm growth.

We know from Chapter 3 that opportunities for new entry are generated by the knowledge of the entrepreneur and from organizational knowledge. We use this as a basis for deciding on the best place to look for opportunities to grow the business. From a simple perspective, we can assume that the entrepreneur and the firm have knowledge about the product that they are currently producing and selling (the existing product) and have knowledge about the group of customers to which they are currently selling that product (the existing market).

Different combinations of different levels of these types of knowledge are represented in Figure 13.1 and provide a model of different growth strategies.[2] Most of these growth strategies can lead to a competitive advantage because they capitalize on some aspect of the entrepreneur's, and the firm's, knowledge base. These growth strategies are: (1) penetration strategies, (2) market development strategies, (3) product development strategies, and (4) diversification strategies.

Penetration Strategies

penetration strategy A strategy to grow by encouraging existing customers to buy more of the firm's current products

A *penetration strategy* focuses on the firm's existing product in its existing market. The entrepreneur attempts to penetrate this product or market further by encouraging existing customers to buy more of the firm's current products. Marketing can be effective in encouraging more frequent repeat purchases. For example, a pizza company engages in an extensive marketing campaign to encourage its existing customer base of university students to eat its pizza three nights a week rather than only twice a week. This growth strategy does not involve anything new for the firm and relies on taking market share from competitors and/or expanding the size of the existing market. Therefore, this growth strategy attempts to better exploit its original entry.

FIGURE 13.1 Growth Strategies Based upon Knowledge of Product and/or Market

Market		Product: Existing	Product: New
	Existing	Penetration strategies	Product development strategies
	New	Market development strategies	Diversification strategies

Source: H. I. Ansoff, *Corporate Strategy: An Analytical Approach to Business Policy for Growth and Expansion* (New York: McGraw-Hill, 1965).

Market Development Strategies

market development strategy Strategy to grow by selling the firm's existing products to new groups of customers

Growth also can occur through market development strategies. *Market development strategies* involve selling the firm's existing products to new groups of customers. New groups of customers can be categorized in terms of geographics or demographics and/or on the basis of new product use.

New Geographical Market This simply refers to selling the existing product in new locations. For example, a firm selling its products in Singapore could start selling its products in Malaysia, Thailand, and Indonesia. This has the potential of increasing sales by offering products to customers who have not previously had the chance to purchase them. The entrepreneur must be aware of possible regional differences in customer preferences, language, and legal requirements that may necessitate a slight change in the product (or packaging).

New Demographic Market Demographics are used to characterize (potential) customers based upon their income; where they live; their education, age, and sex; and so on. For an entrepreneur who is currently selling the firm's existing product to a specific demographic group, the business could grow by offering the same product to a different demographic group. For example, a studio currently produces and sells computer games (specializing in games on baseball and soccer) to males between the ages of 13 and 17. However, there is an opportunity for this company to expand its sales by also targeting males between the ages of 24 and 32 who are university educated, have high disposable incomes, and would likely enjoy the escapism of these computer game products.

New Product Use An entrepreneurial firm might find out that people use its product in a way that was not intended or expected. This new knowledge of product use provides insight into how the product may be valuable to new groups of buyers. For example, when I moved from Australia to Chicago, I bought a baseball bat. I did not use the bat to play baseball; rather, I kept it beside my bed for security against anyone who might break into my apartment. Fortunately, I never had to use it, but I did sleep better knowing it was there. Recognition of this new product use could open up a whole new market for the manufacturers of baseball bats. Another example is four-wheel-drive vehicles. The original producers of this product thought that it would be used primarily for off-road recreational driving but found that the vehicle was also popular among housewives because it was big enough to take the children to school and carry all their bags and sporting equipment. Knowledge of this new use allowed the producers to modify their product slightly to better satisfy customers who use the product in this way. An advantage from using a market development strategy is that it capitalizes on existing knowledge and expertise in a particular technology and production process.

Product Development Strategies

product development strategy A strategy to grow by developing and selling new products to people who are already purchasing the firm's existing products

Product development strategies for growth involve developing and selling new products to people who are already purchasing the firm's existing products. Experience with a particular customer group is a source of knowledge on the problems customers have with existing technology and ways in which customers can be better served. This knowledge is an important resource in coming up with a new product. For example, Disney Corporation built on its existing customer base of Disney movie viewers and developed merchandising products specifically aimed at this audience. A further advantage of using a product development strategy is the chance to capitalize on existing distribution systems and on the corporate reputation the firm has with these customers.

Diversification Strategies

diversification strategy A strategy to grow by selling a new product to a new market

Diversification strategies involve selling a new product to a new market. Even though both knowledge bases appear to be new, some diversification strategies are related to the entrepreneur's (and the firm's) knowledge. In fact there are three types of related diversification that are best explained through a discussion of the value-added chain.

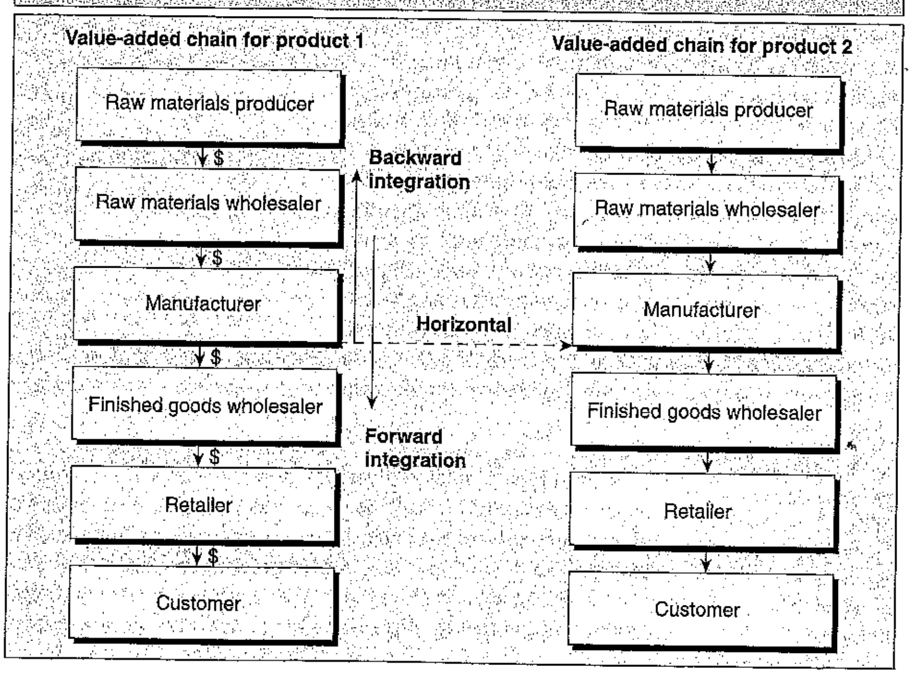
As illustrated in Figure 13.2, a value-added chain captures the steps it takes to develop raw materials into a product and get it into the hands of the customers. Value is added at every stage of the chain. For the value added, each firm makes some profit. If we focus on the manufacturer, opportunities for growth arise from backward integration, forward integration, and horizontal integration. *Backward integration* refers to taking a step back (up) on the value-added chain toward the raw materials, which in this case means that the manufacturer also becomes a raw materials wholesaler. In essence the firm becomes its own supplier. *Forward integration* is taking a step forward (down) on the value-added chain toward the customers, which in this case means that the firm also becomes a finished goods wholesaler. In essence the firm becomes its own buyer.

backward integration A step back (up) in the value-added chain toward the raw materials

forward integration A step forward (down) on the value-added chain toward the customers

Backward or forward integration provides an entrepreneur with a potentially attractive opportunity to grow his or her business. First, these growth opportunities are related to the firm's existing knowledge base, and the entrepreneur could therefore have some advantage over others with no such experience or knowledge. Second, being one's own supplier and/or buyer provides synergistic opportunities to conduct these transactions more efficiently than they are conducted with independent firms fulfilling these roles. Third, operating as a supplier and/or a buyer of the original business provides learning opportunities that could lead to new processes and/or new product improvements that would not have been available if this integration had not taken place.

FIGURE 13.2 Example of a Value-Added Chain and Types of Related Diversification



AS SEEN IN *ENTREPRENEUR* MAGAZINE

PROVIDE ADVICE TO AN ENTREPRENEUR ABOUT GROWING INTO NEW MARKETS USING THE INTERNET

Dot-com mania may have ended, but selling products and services online has scarcely begun. In fact, estimates from a variety of sources have total online retail sales increasing approximately 30 percent in 2002. And after years of similarly rapid growth, the absolute numbers aren't tiny either: Projections based on the U.S. Department of Commerce's conservative data reports indicate that online sales of goods and services topped $42 billion in 2002. And the Department of Commerce doesn't include online travel sales, which typically account for 40 percent or more of online revenue.

One thing driving online sales growth is the still-increasing number of people going online. Market trackers at Jupiter Media Metrix forecast the number of online Americans will double in five years to 132 million. Because about half of Internet users buy something online during any particular year, that translates to solid growth for online commerce.

The online market isn't just growing; it's also changing. To begin with, the shoppers themselves are transforming. Once mostly men, they're now mostly women. Though the Net is seen as a youthful medium, seniors are the fastest-growing age group. And though ethnic groups have lagged behind the mainstream in embracing online, they are catching up fast. "While the general market is tending to flatten out a little bit, the ethnic market continues to have rapid growth," says Derene Allen, vice president of The Santiago Solutions Group, a San Francisco multicultural marketing consulting firm.

These groups all have their own reasons for shopping online, their own styles, and their own favored purchases. They're buying a broader range of products and services as well. Once, goods were divided into those suitable for sale on the Internet and those not suitable. Supposedly, items such as furniture were not online-ready, for instance. But increasingly, nearly everything is being sold online. Furniture makes up most of the volume at PoshTots, a 16-person Glen Allen, Virginia, online seller of high-end children's products. "Our customers are buying cribs and beds," says Karen Booth Adams, 33-year-old co-founder, "and we sell a lot of playhouses."

Continuing growth of the online market calls for evolving business strategies as well. The frenzy to achieve the first-mover advantage that characterized the early years of online retail has subsided. Today, selling online is less about having the latest technology and more about having the best insight into customers. "It's back to tried-and-true principles of marketing," says Keith Tudor, professor of marketing at Kennesaw State University in Kennesaw, Georgia. "Look at your customers' wants, needs, and motivations."

ADVICE TO AN ENTREPRENEUR

An entrepreneur who runs a "bricks and mortar" retail business comes to you for advice:

1. With all the failures associated with dot-com businesses, do you think it is safe now for me to start advertising and selling my products online?
2. If I can't enter this market and rely on first-mover advantages or on a technological advantage, then how can I develop a competitive advantage in the proposed online division of my retail business? Do I need to enter just to keep up with my competitors and maintain market share?
3. If it reverts back to the basic principles of marketing, then how do you target your product at a particular audience when everyone is using the Internet?

Source: Reprinted with permission of Entrepreneur Media, Inc., "Net Meeting. Let Us Introduce You to the Most Important People on the Internet. If You Think You Know E-Commerce Consumers, This Might Surprise You," by Mark Henricks, February 2003, *Entrepreneur* magazine: www.entrepreneur.com.

horizontal integration Occurs at the same level of the value-added chain but simply involves a different, but complementary, value-added chain

A third type of related diversification is *horizontal integration*. The growth opportunity occurs at the same level of the value-added chain but simply involves a different, but complementary, value-added chain. For example, a firm that manufactures washing machines may go into the manufacture of detergent. These products are complementary in that they need each other to work. Again the relatedness of the new product to the firm's existing product means that the firm will likely have some competencies in this new product and may provide learning opportunities. Further, horizontal integration provides the opportunity to increase sales of the existing product. For example, the existing product and the new product may be bundled and sold together, which may provide increased value to customers and increase sales. Examples of bundled products include computer hardware and software, televisions and video recorders, and telephones and answering machines.

What about introducing a new product into a new market that is not related to the existing business (i.e., not forward, backward, or horizontal integration)? The short answer is, "Don't do it." If it is not related to the current business, then what possible advantage can this firm have over competitors? Ego and the mistaken belief in the benefits of a firm's diversifying its risk lead some entrepreneurs to pursue unrelated diversification to their own peril.

Example of Growth Strategies

To illustrate the use of the preceding model to explore possibilities for firm growth, we consider the early days of the Head Ski Company, which, at that time, only produced and sold high-tech skis in the U.S. market. A *penetration strategy* for Head could be achieved through an increase in its marketing budget focused on encouraging existing customers to "upgrade" their skis more often. This could involve some sort of performance imperative that encourages customers to desire the most up-to-date skis with the newest technological features.

A *market development strategy* could involve Head's selling its skis in Europe, Argentina, and New Zealand. The advantage of moving into Argentina and New Zealand is that these markets are in the Southern Hemisphere and therefore sales are counterseasonal to those in the United States (and other Northern Hemisphere markets). Head could also start selling its skis to the mass market—those less affluent skiers who want a good-performance ski at a "reasonable" price.

To pursue a *product development strategy*, Head could develop and sell new products, such as hats, gloves, boots, and other ski accessories, to people who buy its skis. Head could also manufacture tennis racquets or mountain bikes—equipment that is used by its existing customer group when not skiing. These new products would build on its customer reputation for high-tech, high-quality products and could capitalize on existing distribution systems. For example, ski shops could sell Head tennis racquets and mountain bikes during the summer months, which would also smooth out seasonal variability in sales.

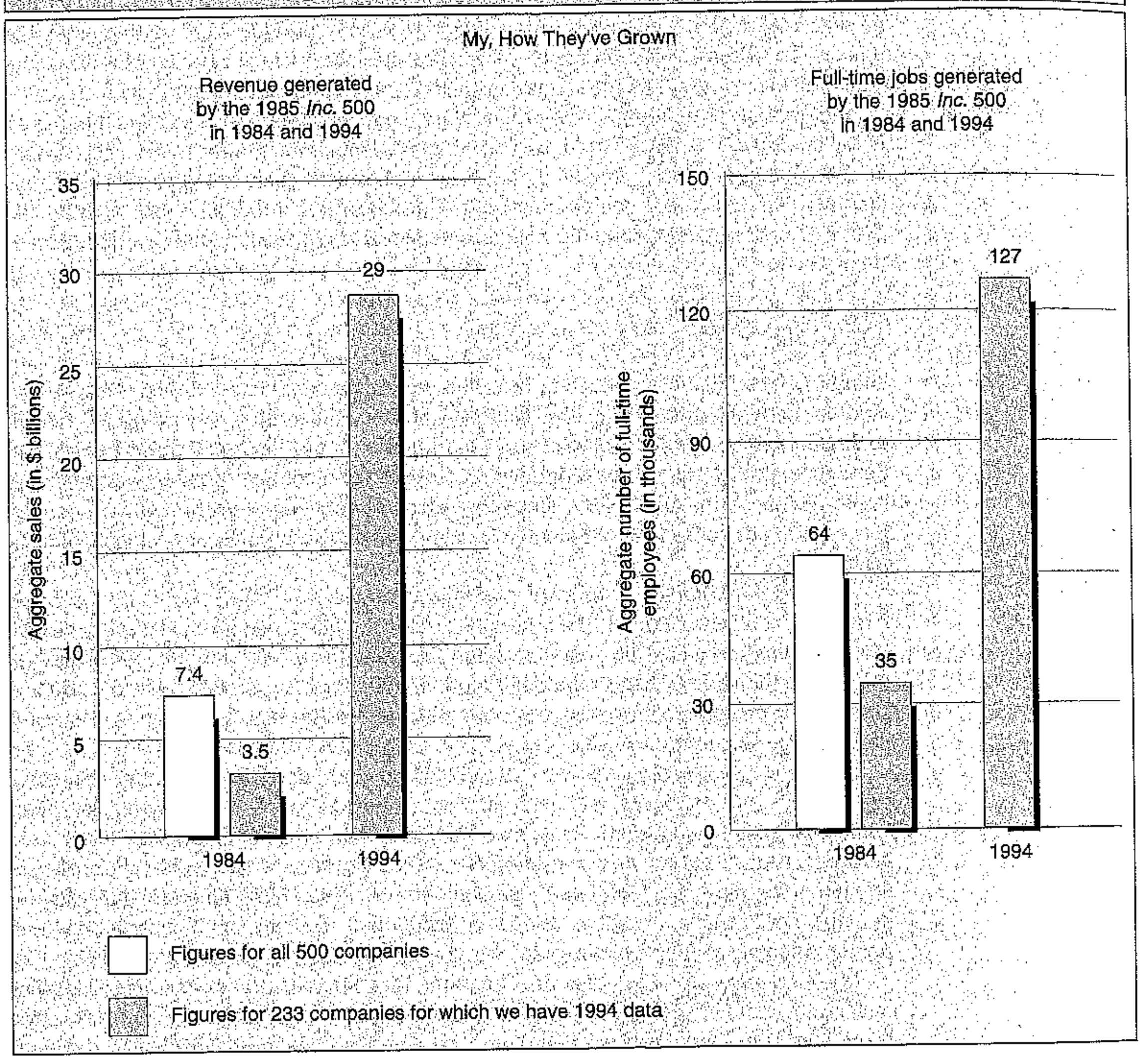
Diversification strategies also offer opportunities for growth. For example, backward integration could involve the design and manufacture of equipment used to make skis, forward integration could involve control of a chain of retail ski shops, and horizontal integration could involve ownership of ski mountains (lifts, lodges, etc.).

As this example demonstrates, the model offers a tool for entrepreneurs, to force them to think and look in different directions for growth opportunities where the firm may already have a basis for a sustainable competitive advantage. The pursuit and achievement of growth have an impact on the economy, the firm, and the entrepreneur.

ECONOMIC IMPLICATIONS OF GROWTH

In 1996 *Inc.* magazine conducted a study of its 500 fastest-growing ventures in 1984 to ascertain what happens to those ventures that are entering a growth phase.[3] In 1984 these 500 fastest-growing ventures had aggregate sales of $7.4 billion and 64,000 full-time employees and were all experiencing the beginning of the rapid growth described earlier. By 1995, among the original 500 ventures, there had been 95 failures or shutdowns and 135 had been

FIGURE 13.3 A Follow-Up of *Inc.* Magazine's 1984 Fastest-Growing Ventures



Source: Martha E. Mangelsdorf, "The Startling Truth about Growth Companies," *Inc.* (May 21, 1996), p. 85. Copyright © 1996 by Mansueto Ventures LLC. Reproduced with permission of Mansueto Ventures LLC via Copyright Clearance Center.

sold to new owners. The 233 companies that were willing to report earnings, however, more than made up for the failures in jobs created and revenue generated. These 233 companies had reached sales of $29 billion and employed 127,000 people full time. Thus, these 233 firms represented revenue and total numbers of employees that were significantly larger than the original list of 500 ventures.

Figure 13.3 compares the 1984 results with the reported 1994 revenue and number of full-time employees. You can see how significant the growth has been when you compare the 1994 sales and numbers of employees of the 233 companies that participated with the 1984 sales and numbers of employees of the same 233 companies.

In addition to the sales and employees, it was reported that 48 percent were still privately held under the same ownership and only 6 percent had actually gone public. The fact that there were so few ventures that had gone public probably defies conventional thinking in entrepreneurship that becoming a big business requires you to go public to finance the growth. A comparison of the ventures that did go public, however, revealed that they had achieved much larger growth than those that did not go public. These 32 companies from the 1984 list grew by $18.9 billion in revenue, which was an average growth rate of 32 percent. As a group these 32 firms included some of the top entrepreneurial performers in the United States, such as Microsoft, Merisel, and Tech Data. Many of these companies had also retained the original founder of the company as CEO.

The sample of *Inc.* magazine ventures does not capture those businesses that grow more modestly, especially small businesses. However, modest levels of growth by small businesses can still have a dramatic impact on an economy. For example, the majority of new jobs in most industrialized economies are created by small business.[4] This does not necessarily mean that most small firms do grow; rather, the population of small firms is so large that even when a small percentage of them do grow, the impact on an economy is still significant and important.[5]

The sample of *Inc.* magazine ventures does capture some businesses that were at one stage growing rapidly but later failed. We should not consider business failure a negative outcome for an economy. On the contrary, entrepreneurs who pursue growth opportunities, even if such pursuit increases the potential for failure, generate knowledge that stimulates improvements in technologies and increases economic resilience.[6]

For example, an entrepreneur who "goes for it" and develops a new technology could hit the jackpot, which obviously provides benefits to the economy in terms of tax revenue, employment, reduction of the trade deficit, and so on. But what if the new technology does not work as expected and the business is bankrupted? How does this improve the economy? A failed attempt provides information for that entrepreneur and other entrepreneurs. Although the new technology itself did not work, another entrepreneur may have learned from the attempt, which may have provided an important piece of the puzzle and, ultimately, success (and the associated economic benefits).

An economy made up of entrepreneurs that do not fail is likely a poorly performing economy. Such an economy does not have entrepreneurs willing to pursue high-risk–high-potential-growth opportunities and therefore does not benefit from the rewards of technologies that "hit" and does not learn from those that are pursued but fail. Next we address the implications of firm growth for the firm and then for the entrepreneur.

IMPLICATIONS OF GROWTH FOR THE FIRM

Because growth makes a firm bigger, the firm begins to benefit from the advantages of size. For example, higher volume increases production efficiency, makes the firm more attractive to suppliers, and therefore increases its bargaining power. Size also enhances the legitimacy of the firm, because firms that are larger are often perceived by customers, financiers, and other stakeholders as being more stable and prestigious. Therefore, the growing of a business can provide the entrepreneur more power to influence firm performance. But as the firm grows, it changes. These changes introduce a number of managerial challenges. These challenges arise from the following pressures.

Pressures on Existing Financial Resources

Growth has a large appetite for cash. Investing in growth means that the firm's resources can become stretched quite thin. With financial resources highly stretched, the firm is more vulnerable to unexpected expenses that could push the firm over the edge and into bankruptcy. Resource slack (resources in reserve) is required to ensure against most environmental shocks and to foster further innovation.

Pressures on Human Resources

Growth is also fueled by the work of employees. If employees are spread too thin by the pursuit of growth, then the firm will face problems of employee morale, employee burnout, and an increase in employee turnover. These employee issues could also have a negative impact on the firm's corporate culture. For example, an influx of a large number of new employees (necessitated by an increase in the number of tasks and to replace those that leave) will likely dilute the corporate culture, which is a concern, especially if the firm relies on its corporate culture as a source of competitive advantage.

Pressures on the Management of Employees

Many entrepreneurs find that as the venture grows, they need to change their management style, that is, change the way they deal with employees. Management decision making that is the exclusive domain of the entrepreneur can be dangerous to the success of a growing venture. This is sometimes difficult for the entrepreneur to realize since he or she has been so involved in all important decisions since the business was created. However, to survive, the entrepreneur will need to consider some managerial changes.

Pressures on the Entrepreneur's Time

One of the biggest problems in growing a firm is encapsulated in the phrase "If I only had more time." While this is a common problem for all managers, it is particularly applicable to entrepreneurs who are growing their businesses. Time is the entrepreneur's most precious yet limited resource. It is a unique quantity: The entrepreneur cannot store it, rent it, hire it, or buy it. It is also totally perishable and irreplaceable. No matter what an entrepreneur does, today's ration is 24 hours, and yesterday's time is already history. Growth is demanding of the entrepreneur's time, but as the entrepreneur allocates time to growth, it must be diverted from other activities, and this can cause problems.

There are actions the entrepreneur can take to better manage these issues and more effectively grow his or her business. We will now discuss some of these actions.

OVERCOMING PRESSURES ON EXISTING FINANCIAL RESOURCES

To overcome pressures on existing financial resources, the entrepreneur could acquire new resources. The acquisition of new resources is expensive, whether in terms of the equity sold or the interest payments from debt. The need or the magnitude of the new resources required can be reduced through better management of existing resources. Such important management activities include applying effective financial control, managing inventory, and maintaining good records.

FINANCIAL CONTROL

The financial plan, as an inherent part of the business plan, was discussed in Chapter 10. Just as we outlined how to prepare pro forma income and cash flow statements for the first three years, the entrepreneur will need some knowledge of how to provide appropriate controls to ensure that projections and goals are met. Some financial skills are thus necessary for the

ETHICS

LESSONS FROM ENRON

EVEN THE SMALLEST BUSINESS CAN LEARN WHAT *NOT* TO DO FROM THIS GIANT COMPANY

Q: What can a business owner learn from the mistakes of Enron?

A: So you wanted to own a multibillion-dollar corporation and fly around the world in the latest Lear jet. Then along comes Enron, the seventh largest company in the United States, a firm most folks probably never even heard of, and it ruins your dreams. And perhaps your 401(k), too. The excesses that caused this disintegration will be thoroughly examined by lawmakers and regulators. When their work is completed, even the innocent will find new government-mandated rules and regulations to make doing business more difficult. Well, don't despair—"mistakes were made," but lessons can be learned.

And don't think for a minute the Enron problem is something that only giant corporations face. Although the magnitude of its collapse won't be matched by the local print shop or pizza parlor, the collapse of even the smallest of businesses impacts many people. The failure of your business will greatly and negatively impact you, your partners, your employees, customers, and vendors as well as the families of each of those groups. As business owners, we have a duty to operate in a prudent, lawful, and ethical manner.

So what can we do? Every good business has a solid business plan and a realistic design for implementing that plan. While Enron is fresh in our minds, we think the first thing to do is to examine our business plan from the perspective of its fidelity to the prudence, legality, and ethics mentioned above, and then compare the business plan to the reality. Have business "necessities" caused us to step over the line? How will the deviations from the plan come back to bite us and those who depend on us? Try to recall your first day in business—it wasn't about bending the rules, it wasn't about living high on the hog (or as they say today, living large), and it had nothing to do with cheating others—that first day was all about launching a dream and bringing others along. It's time to relight the flame.

As we said, on a local scale, the collapse of a small business will match the collapse of an Enron for those involved. If we get caught playing the business game dirty, we won't see ourselves on national TV, but our next-door neighbor will know that side of our character we've tried to hide. So will our families and close friends.

Let's think about the things we may be doing now, things that were never in our plan and were never a part of our dreams. And let's purge them from our business practices. A few of the common legal and ethical missteps some business owners take, which must be ended today, are:

- Paying personal expenses out of business funds and writing them off
- Not reporting all cash receipts
- Cheating customers on price, quality, delivery, or warranty
- Using misleading advertising
- Failing to pay our business bills on time
- Lying to employees, customers, and vendors

Some may think these lapses pale in comparison to the allegations against Enron. They don't. If you act illegally or unethically in your business, given the opportunity, you'd do so if your canvas were larger. Take a good look at the list above and ask yourself, "What is the penalty if I get caught?" Then ask yourself a more important question: "Is this who I really am?" Finally, fix it.

We may yet get to fly in that Lear jet, but we'll only deserve to if we're honest, hard-working business owners.

Source: Reprinted with permission of Entrepreneur Media, Inc., "Even the Smallest Business Can Learn What *Not* to Do from This Giant Company," by Rod Walsh and Dan Carrison, February 2002, *Entrepreneur* magazine: www.entrepreneur.com.

entrepreneur to manage the venture during these early years. Cash flows, the income statement, and the balance sheet are the key financial areas that will need careful management and control. Since Chapter 10 explains how to prepare these pro forma statements, the focus in this section will be controls and the management of these elements to alleviate financial "growing" pains.

Managing Cash Flow

Since cash outflow may exceed cash inflow when growing a business, the entrepreneur should try to have an up-to-date assessment of his or her cash position. This can be accomplished by preparing monthly cash flow statements, such as that found in Table 13.1, and comparing the budgeted or pro forma statements with the actual results. The July budgeted amounts are taken from the pro forma cash flow statement of MPP Plastics. The entrepreneur can indicate the actual amounts next to the budgeted amounts. This will be useful for adjusting the pro forma for the remaining months, as well as for providing some indication as to where cash flow problems may exist.

Table 13.1 shows a few potential problem areas. First, sales receipts were less than anticipated. Management needs to assess whether this was due to nonpayment by some customers or to an increase in credit sales. If the lower amount is due to nonpayment by customers, the entrepreneur may need to try enforcing faster payment by sending reminder letters or making telephone calls to delinquent customers. Bounced checks from customers can also affect cash flow since the entrepreneur has likely credited the amount to the account and assumed that the cash is readily available. If the lower receipts are resulting from higher credit sales, the entrepreneur may need to either consider short-term financing from a bank or try to extend the terms of payment to his or her suppliers.[7]

Cash disbursements for some items were greater than budgeted and may indicate a need for tighter cost controls. For example, cost of goods was $22,500, which was $1,700

TABLE 13.1 MPP Plastics Inc. (Statement of Cash Flow) July, Year 1 (000s)

	July	
	Budgeted	Actual
Receipts		
Sales	$ 24.0	$ 22.0
Disbursements		
Equipment	100.0	100.0
Cost of goods	20.8	22.5
Selling expenses	1.5	2.5
Salaries	6.5	6.5
Advertising	1.5	1.5
Office supplies	0.3	0.3
Rent	2.0	2.0
Utilities	0.3	0.5
Insurance	0.8	0.8
Taxes	0.8	0.8
Loan principal and interest	2.6	2.6
Total disbursements	$137.1	$140.0
Cash flow	(113.1)	(118.0)
Beginning balance	275.0	275.0
Ending balance	161.9	157.0

more than budgeted. The entrepreneur may find that suppliers increased their prices, which may require a search for alternative sources or even raising the prices of the products/services offered by the new venture. If the higher cost of goods resulted from the purchase of more supplies, then the entrepreneur should assess the inventory costs from the income statement. It is possible that the increased cost of goods resulted from the purchase of more supplies because sales were higher than expected. However, if these additional sales resulted in more credit sales, the entrepreneur may need to plan to borrow money to meet short-term cash needs. Conclusions can be made once the credit sales and inventory costs are evaluated.

The higher selling expenses also may need to be assessed. If the additional selling expenses were incurred to support increased sales (even if they were credit sales), then there is no immediate concern. However, if no additional sales were generated, the entrepreneur may need to review all these expenses and perhaps institute tighter controls.

Projecting cash flow in the early stages can also benefit by conducting sensitivity analysis. For each monthly expected cash flow, the entrepreneur can use 1 plus and minus 5 for an optimistic and pessimistic cash estimate, respectively. Thus, our MPP Plastics example (Table 13.1) might have projected in the prior month sales receipts of $24,000 and, using the 1 plus and minus 5 percent, would have a column indicating a pessimistic amount of $22,800 and an optimistic amount of $25,200. This sensitivity analysis would then be computed for all disbursements as well. In this manner the entrepreneur would be able to ascertain the maximum cash needs given a pessimistic outcome and could prepare for any cash needs.

For the very new venture it may be necessary to prepare a daily cash sheet. This might be particularly beneficial to a retail store, restaurant, or service business. Table 13.2 provides an illustration of the cash available at the beginning of the day with additions and deletions of cash recorded as indicated. This would provide an effective indication

TABLE 13.2 Daily Cash Activity (Date)

Beginning day's cash balance:	$XXX	
Add:		
Day's cash sales (cash, charges, checks)	$XXX	
Collection of receivables	$XXX	
Total		$XXX
Less:		
Charge account sales (from day's cash sales)		$XXX
Total cash collected		$XXX
Cash disbursed:		
Cash refunds	$XXX	
Cash returns	$XXX	
Petty cash expenses (such as postage, travel, supplies, or repairs)	$XXX	
Total cash disbursed (subtract from total cash collected)		$XXX
Amount of cash that should be on hand		$XXX
Actual count of cash on hand		$XXX
Difference between what should be on hand and actual		$XXX

Note: If the final number is negative or positive, then an error has occurred in collections or payments.

of any daily shortfall and give a clear sense of where problems exist or where errors have occurred.

Comparison of budgeted or expected cash flows with actual cash flows can provide the entrepreneur with an important assessment of potential immediate cash needs and indicate possible problems in the management of assets or control of costs. These items are discussed further in the next sections.

Managing Inventory

During the growth of a new venture, the management of inventory is an important task. Too much inventory can be a drain on cash flow since manufacturing, transportation, and storage costs must be borne by the venture. On the other hand, too little inventory to meet customer demands can also cost the venture in lost sales, or it can create unhappy customers who may choose another firm if their needs are not met in a timely manner.

Growing ventures typically tie up more cash in their inventory than in any other part of the business. Skolnik Industries, a $10 million manufacturer of steel containers for storage and disposal of hazardous materials, developed an inventory control system that allowed it to ship products to its customers within 24 to 48 hours. This was accomplished with a very lean inventory, thanks to the installation of a computerized inventory-control system that allows the firm to maintain records of inventory on a product-by-product basis. In addition to this capability, the system allows the company to monitor gross margin return on investment, inventory turnover, percentage of orders shipped on time, length of time to fill back orders, and percentage of customer complaints to shipped orders. Software to accomplish these goals is readily available and in many cases can even be modified to meet the exact needs of the business. The reports from this system are generated every two to four weeks in normal sales periods and weekly in heavy sales periods. This system not only provides Skolnik with an early warning system but also frees up cash normally invested in inventory and improves the overall profitability of the firm.[8] Perpetual inventory systems can be structured using computers or a manual system. As items are sold, inventory should be reduced. To check the inventory balance, it may be necessary to physically count inventory periodically.

Efficient electronic data interchanges (EDIs) among producers, wholesalers, and retailers can enable these firms to communicate with one another. Linking the needs of a retailer with the wholesaler and producer allows for a fast order entry and response. These systems also allow the firm to track shipments internationally.[9] The linking of firms in a computerized system has also been developed by the grocery and pharmaceutical industries using a software system called efficient consumer response (ECR). Supply chain members work together in this system to manage demand, distribution, and marketing such that minimum inventory levels are necessary to meet consumer demands. Computerized checkout machines are usually part of these systems so that linked members are able to anticipate inventory needs before stock-outs occur.[10]

Transport mode selection can also be important in inventory management. Some transportation modes, such as air transport, are very expensive. Rail and truck are the most often used methods of transportation when a next-day delivery for a customer is not necessary. Careful management of inventory through a computerized system and by working with customers and other channel members can minimize transportation costs. Anticipating customer needs can avoid stock-outs and the unexpected cost of having to meet a customer's immediate need by shipping a product by next-day air.

These mistakes can be costly and are likely to significantly reduce the margins on any transaction.

Managing Fixed Assets

Fixed assets generally involve long-term commitments and large investments for the new venture. These fixed assets, such as the equipment appearing in Table 13.3, will have certain costs related to them. Equipment will require servicing and insurance and will affect utility costs. The equipment also will be depreciated over time, which will be reflected in the value of the asset over time.

If the entrepreneur cannot afford to buy equipment or fixed assets, leasing could be considered as an alternative. Leasing may be a good alternative to buying, depending on the terms of the lease, the type of asset to be leased, and the usage demand on the asset. For example, leases for automobiles may contain a large down payment and possible usage or mileage fees that can make the lease much more expensive than a purchase. On the other hand, lease payments represent an expense to the venture and can be used as a tax deduction. Leases are also valuable for equipment that becomes obsolete quickly. The entrepreneur can take a lease for short periods, reducing the long-term obligation to any specific asset. As with any other make or buy decision, the entrepreneur should consider all costs associated with the decision as well as its impact on cash flows.

TABLE 13.3 MPP Plastics Inc., Income Statement, First Quarter Year 1 (000s)

		Actual (%)	Standard (%)
Net sales	$150.0	100.0%	100.0%
Less cost of goods sold	100.0	66.7	60.0
Gross margin	50.0	33.3	40.0
Operating expenses			
Selling expenses	11.7	7.8	8.0
Salaries	19.8	13.2	12.0
Advertising	5.2	3.5	4.0
Office supplies	1.9	1.3	1.0
Rent	6.0	4.0	3.0
Utilities	1.3	0.9	1.0
Insurance	0.6	0.4	0.5
Taxes	3.4	2.3	2.0
Interest	3.6	2.4	2.0
Depreciation	9.9	6.6	5.0
Miscellaneous	0.3	0.2	0.2
Total operating expenses	$ 66.3	42.5	38.7
Net profit (loss)	(13.7)	(9.1)	1.3

Managing Costs and Profits

Although the cash flow analysis discussed earlier in the chapter can assist the entrepreneur in assessing and controlling costs, it is also useful to compute the net income for interim periods during the year. The most effective use of the interim income statement is to establish cost standards and compare the actual with the budgeted amount for that time period. Costs are budgeted based on percentages of net sales. These percentages can then be compared with actual percentages and can be assessed over time to ascertain where tighter cost controls may be necessary.

Table 13.3 compares actual and expected (standard) percentages on MPP Plastic's income statement for its first quarter of operation. This analysis gives the entrepreneur the opportunity to manage and control costs before it is too late. Table 13.4 shows that cost of goods sold is higher than standard. Part of this may result from the initial small purchases

TABLE 13.4 MPP Plastics Inc., Balance Sheet, First Quarter Year 1

Assets		
Current assets		
Cash	$ 13,350	
Accounts receivable (40% of $60,000 in sales the previous month)	24,000	
Merchandise inventory	12,850	
Supplies	2,100	
Current assets		$ 52,300
Fixed assets		
Equipment	$240,000	
Less depreciation	9,900	
Total fixed assets		$230,100
Total assets		282,400
Liabilities and Owners' Equity		
Current liabilities		
Accounts payable (20% of 40 CGS)	$ 8,000	
Current portion of L-T debt	13,600	
Total current liabilities		$ 21,600
Long-term liabilities		
Notes payable		223,200
Total liabilities		244,800
Owners' equity		
C. Peter's capital	$ 25,000	
K. Peter's capital	25,000	
Retained earnings	(13,400)	
Total owners' equity		$ 37,600
Total liabilities and owners' equity		$282,400

of inventory, which did not provide any quantity discounts. If this is not the case, the entrepreneur should consider finding other sources or raising prices.

Most of the expenses appear to be reasonably close to standard or expected percentages. The entrepreneur should assess each item to determine whether these costs can be reduced or whether it will be necessary to raise prices to ensure future positive profits (although the effectiveness of raising prices is determined by the market and could substantially lower the number of items sold and reduce market share). As the venture begins to evolve into the second and third years of operation, the entrepreneur should also compare current actual costs with prior incurred costs. For example, in the second year of operation, the entrepreneur may find it useful to look back at the selling expenses incurred in the first year of operation. Such comparisons can be done on a month-to-month basis (i.e., January, year 1, to January, year 2) or even quarterly or yearly, depending on the volatility of the costs in the particular business.

Where expenses or costs have been much higher than budgeted, it may be necessary for the entrepreneur to carefully analyze the account to determine what is the exact cause of the overrun. For example, utilities represent a single expense account yet may include a number of specific payments for such things as heat, electricity, gas, and hot water. Thus, the entrepreneur should retain a running balance of all these payments to ascertain the cause of an unusually large utility expense. In Table 13.1 we see that the utility expense was $500, which was $200 over the budgeted amount, or a 67 percent increase. What caused the increase? Was any particular utility responsible for the overrun, or was it a result of higher oil costs, which affected all the utility expenses? These questions need to be resolved before the entrepreneur accepts the results and makes any needed adjustments for the next period.

Comparisons of the actual and budgeted expenses in the income statement can be misleading for those new ventures where there are multiple products or services. For financial reporting purposes to shareholders, bankers, or other investors, the income statement would summarize expenses across all products and services. This information, although helpful to provide an overview of the success of the venture, does not indicate the marketing cost for each product, the performance of particular managers in controlling costs, or the most profitable product(s). For example, selling expenses for MPP Plastics Inc. (Table 13.3) were $11,700. These selling expenses may apply to more than one product, in which case the entrepreneur would need to ascertain the amount of selling expense for each product. He or she may be tempted to prorate the expense across each product, which would not provide a realistic picture of the relative success of each product. Thus, if MPP Plastics Inc. produced three different products, the selling expense for each might be assumed to be $3,900 per product, when the actual selling expenses could be much more or less.

Some products may require more advertising, insurance, administrative time, transportation, storage, and so on, which could be misleading if the entrepreneur chooses to allocate these expenses equally across all products. In response to this problem, it is recommended that the entrepreneur allocate expenses as effectively as possible, by product. Not only is it important to evaluate these costs across each product, but also it is important to evaluate them by region, customer, distribution channel, department, and so on. Arbitrary allocation of costs should be avoided to get a real profit perspective of every product marketed by the new venture.

Taxes

Don't forget the tax agent! The entrepreneur will be required to withhold federal and state taxes for his or her employees. Each month or quarter (depending on the size of the payroll), deposits or payments will need to be made to the appropriate agency for funds withheld from wages. Generally, federal taxes, state taxes, Social Security, and Medicare are withheld from employees' salaries and are deposited later. The entrepreneur should be careful not to use these funds since, if payments are late, there will be high interest and penalties assessed. In addition to withholding taxes, the new venture may be required to pay a number of taxes, such as state and federal unemployment taxes, a matching FICA and Medicare tax, and other business taxes. These taxes will need to be part of any budget since they will affect cash flow and profits. To determine the exact amount, dates due, and procedures, the unemployment agency for the federal government and the appropriate state or the tax department can be contacted.

The federal and state governments will also require the entrepreneur to file end-of-year returns of the business. If the venture is incorporated, there may be state corporation taxes to be paid regardless of whether the venture earned a profit. The filing periods and tax responsibilities will vary for other types of organizations. Chapter 10 provides some insights into the tax responsibilities of proprietorships, partnerships, and corporations. As stated earlier, use of a tax accountant should also be considered to avoid any errors and provide advice in handling these expenses. The accountant can also assist the entrepreneur in planning or budgeting appropriate funds to meet any of these expenses.

Record Keeping

To support this effort toward financial control, it is helpful to consider using a software package to enhance the flow of this type of information. With a growing venture it may also be necessary to enlist the support and services of an accountant or a consultant to support record keeping and financial control. These external service firms can also help train employees using the latest and most appropriate technology to meet the needs of the venture.

A system for storing and using customer information becomes vitally important for a growing firm. Growth typically involves marketing to new customers, and a large influx of new customers can overwhelm more primitive systems. For example, previously customer information may have been stored in the memory of the different salespeople. However, as the sheer number of customers increases, the memory capacity of a salesperson may be exceeded and important information (and new and existing sales) could be lost.

Not only will a database increase the capacity to hold and process information, it begins to accumulate bits of knowledge contained within different individuals into an organizational knowledge that is accessible to everyone within the firm. By building organizational knowledge the entrepreneur is less dependent upon any one individual. For example, if the top salesperson were to die or otherwise leave the organization, then a considerable amount of important information could be lost to the firm. Specifically, customer information should be retained in a database that includes information on a contact person (including telephone number and address), as well as important data on the number of units and dollars of business transacted by each account. New accounts should also be designated for follow-up, such as welcoming customers and providing them with important information about the company and its products and services.

OVERCOMING PRESSURES ON EXISTING HUMAN RESOURCES

Generally, the new venture does not have the luxury of a human resource department that can interview, hire, and evaluate employees. Most of these decisions will be the responsibility of the entrepreneur and perhaps one or two other key employees. The process of human resource management should not be any different from what was previously discussed in Chapter 9, where we outline some of the important procedures for preparing job descriptions and specifications for new employees.

Some entrepreneurs are using professional employer organizations (PEOs). One such company is TriNet Employer Group Inc., which came to the rescue of Robert Teal, cofounder of a Silicon Valley start-up, Quinta Corporation. Robert had found it time consuming and costly to hire and retain employees. His banker suggested he consider TriNet. After an assessment of TriNet's services, he hired the firm to assume most of the human resource tasks of the new venture. This involved such things as recruiting, hiring, setting up benefit programs, payroll, and even firing decisions. This has given Robert more time to devote to other aspects of his growing venture.[11]

In growing the workforce, entrepreneurs face the decision of what proportion of the workforce should be permanent and what proportion should be part time, and this decision involves a number of trade-offs. On the one hand, a greater percentage of part-time workers represents a lower fixed cost, which provides the firm greater flexibility in dealing with changes in the external environment. On the other hand, personnel instability is more likely with part-time workers because turnover is typically higher[12] and part-time workers are less committed to the firm because they have less of a personal stake in its performance. Therefore, building a functional organizational culture is more difficult when the workforce has a greater proportion of part-time workers.

Regardless of the composition of the firm's workforce, mistakes will be made in the selection and hiring of some people. This leads to one of the most difficult decisions for an entrepreneur to make—the firing of incompetent employees. Having a fair employee evaluation process is essential in justifying the firing of an employee. Employees should be given feedback on a regular basis, and any problems should be identified with a proposed solution agreeable to the employee and the entrepreneur. In this manner, continued problems with the employee that necessitate a firing decision will be well documented.

An integral part of the firm's human resource strategy for effectively growing the business must take into consideration how to maintain the corporate culture despite the influx of new employees. New employees can be inculcated through early training sessions that perpetuate the stories and rituals that form the basis of the culture. But the majority of this responsibility falls on the shoulders of the entrepreneur. The entrepreneur must be the walking, talking embodiment of the culture, although in cases of rapid growth the work of the entrepreneur can be complemented by the work of a cultural ambassador. For example, as IKEA expanded internationally, Ingvar Kamprad took a number of steps to ensure that the corporate culture would still have an impact in foreign stores. For example, he documented the "IKEA way" and used cultural ambassadors and training sessions to inculcate new employees of new stores in foreign locations.

OVERCOMING PRESSURES ON THE MANAGEMENT OF EMPLOYEES

participative style of management The manager involves others in the decision-making process

As the venture grows, it changes. Managing change is often a complex task, one that is better undertaken with a participative style of management. A *participative style of management* is one in which the entrepreneur involves others in the decision-making process. There are a number of advantages to using a participative management style when a firm is growing. First, the complexity of growing a business and managing change increases the information-processing demands on the entrepreneur. Involving

AS SEEN IN *ENTREPRENEUR* MAGAZINE

ELEVATOR PITCH FOR eVEST

A wealthy friend has asked you to keep your eye out for attractive businesses in which she can invest. Your wealthy friend is very busy, and you only want to introduce those businesses that are genuinely attractive. After hearing the following pitch, would you introduce Scott to your wealthy friend?

Entrepreneur: Scott Jordan, 38, founder and CEO of Scott eVest LLC.

Company: Clothing and licensing company featuring a line of vests/jackets with 16 to 22 pockets that discreetly hold tech gadgets.

Sales Projections for the Current Year: $5 million.

Weighed Down: "I was practicing law and commuting back and forth, carrying the things that most businesspeople carry with them nowadays—PDA, cell phone, an expandable keyboard. Working in a business casual environment, I would wear sports jackets just to have the extra pockets to put my stuff in. I started asking around and found the need for more pockets was common."

(Un) orderly Fashion: Now selling through www.scottevest.com, Jordan was initially wary of e-commerce when he started the company in 2001. "On the day [the site] went live, a Web site referred to it, and I got 50,000 hits and more than 100 orders. I didn't even have a manufacturer lined up. I had six samples. I had to juggle between sending them to retailers, catalog companies, and Asia for production pricing. Each one was like gold to me."

Apparel Appeal: On exhibit at Disneyland's Tomorrowland, the Scott eVest has appeared on *ER* and HBO's *The Wire*. "Every other day, I get a call from a branch of the military, CIA, Secret Service, INS. I'm told the president got one with the presidential seal on it."

Source: Reprinted with permission of Entrepreneur Media, Inc., "This Entrepreneur Will Never Find His Pockets Empty—No Matter How Many of Them He Has," by April Y. Pennington, February 2003, *Entrepreneur* magazine: www.entrepreneur.com.

others in the decision-making process is a way of reducing these demands. Second, highly qualified managers and employees are an important resource for coming up with new ways to tackle current problems. Third, if employees are involved in the decision-making process, they are more prepared and more motivated to implement the decided course of action. Finally, in most cultures employees enjoy the added responsibility of making decisions and taking initiative. In such a case, a participative management style will enhance job satisfaction. The following captures some of the activities the entrepreneur can do to institute a more participative style of management and successfully grow the business.

Establish a Team Spirit A team spirit involves the belief by everyone in the organization that they are "in this thing together" and by working together great things can be achieved. Small but important actions by the entrepreneur can create this team spirit. For example, the entrepreneur should establish a "we" spirit—not a "me" spirit—in meetings and memoranda to employees as well as to other stakeholders.

Communicate with Employees Open and frequent communication with employees builds trust and diminishes fear. Often the fear of change associated with firm growth is worse than the reality of change, and communication will alleviate some of that anxiety. Open and frequent communication is a two-way street. The entrepreneur must listen to what is on the minds of his or her employees. The entrepreneur should solicit suggestions on how a department or the firm as a whole can more effectively manage growth and improve its performance.

Provide Feedback The entrepreneur should frequently provide feedback to employees. Feedback needs to be constructive such that it enables the employee to improve the quality of a particular task but does not attack the person and create a fear of failure. The entrepreneur should also seek feedback from others. For this feedback to be valuable it must be honest, which requires a culture that values open and honest communication. An entrepreneur confident in his or her own abilities, and with a desire to effectively grow the business, should be open to, and should encourage, this type of feedback.

Delegate Some Responsibility to Others With an increasing number of tasks for the entrepreneur, he or she cannot be available to make every management decision. Key employees must be given the flexibility to take the initiative and make decisions without the fear of failure. This requires the entrepreneur to create a culture that values and rewards employees for taking initiative and sees failure as a positive attempt rather than a negative outcome.

Provide Continuous Training for Employees By training employees, the entrepreneur increases employees' ability and capacity to improve their own performance at a particular task and, as a result, improves the chance of successfully growing the firm. Training should reflect the new management style by involving employees in deciding upon training session topics.

OVERCOMING PRESSURES ON ENTREPRENEURS' TIME

Entrepreneurs can always make better use of their time, and the more they strive to do so, the more it will enrich their venture as well as their personal lives. How does one more effectively manage time? *Time management* is the process of improving an individual's productivity through more efficient use of time. The entrepreneur reaps numerous benefits from effectively managing his or her time, some of which follow.

time management The process of improving an individual's productivity through more efficient use of time

Increased Productivity Time management helps the entrepreneur determine the tasks of greatest importance and focuses his or her attention on successfully completing those tasks. This means that there will always be sufficient time to accomplish the most important things.

Increased Job Satisfaction Increased productivity means that more of the important tasks are successfully completed, which in turn enhances the entrepreneur's job satisfaction. The entrepreneur is less likely to feel "swamped" and overwhelmed by the increasing number of tasks generated from firm growth. Getting more important things done and being more successful in growing and developing the venture will give the entrepreneur more job satisfaction.

Improved Interpersonal Relationships Although the total time an entrepreneur spends with other individuals in the company may in fact decrease through better time management, the time spent will be of a higher quality (quality time), allowing him or her to improve relationships with others inside and outside the firm (including family). Furthermore, as others in the company experience less time pressure, better results, and greater job satisfaction, relationships within the firm become more harmonious and the firm can build an *esprit de corps*.

Reduced Time Anxiety and Tension Worry, guilt, and other emotions tend to reduce the entrepreneur's information-processing capacity, which can lead to less effective assessments and decisions. Effective time management reduces concerns and anxieties, which "frees up" information processing and improves the quality of the entrepreneur's decisions.

Better Health By reducing anxiety and tension and improving productivity, job satisfaction, and relationships with others, there is less psychological and physiological strain on the mind and body, resulting in improved health. Time management can also include scheduling time to eat well and exercise. Good health, and the energy that it brings, is vital for an entrepreneur growing his or her business.

Basic Principles of Time Management

Time management provides a process by which the entrepreneur can become a time saver, not a time server. This efficient use of time enables the entrepreneur to expand and grow the venture properly, increase personal and firm productivity, and lessen the encroachment of the business into his or her private life. An entrepreneur develops good time management by adhering to six basic principles, as follows.

principle of desire A recognition of the need to change personal attitudes and habits regarding the allocation of time

Principle of Desire The *principle of desire* requires that the entrepreneur recognize that he or she is a time waster, that time is an important resource, and that there is a need to change personal attitudes and habits regarding the allocation of time. Therefore, effective time management depends on the entrepreneur's willpower, self-discipline, and motivation to optimize his or her time.

principle of effectiveness A focus on the most important issues

Principle of Effectiveness The *principle of effectiveness* requires the entrepreneur to focus on the most important issues, even when under pressure. Whenever possible, an entrepreneur should try to complete each task in a single session, which requires that enough time be set aside to accomplish that task. This eliminates time wasted in catching up to where one left off. Although quality is of course important, perfectionism is not and often leads only to procrastination. The entrepreneur must not spend excessive time on trying to make a small improvement in one area when time would be better spent in another area.

principle of analysis Understanding how time is currently being allocated, and where it is being inefficiently invested

Principle of Analysis The *principle of analysis* provides information to the entrepreneur about how time is currently being allocated, which will also highlight inefficient or inappropriate investments of time. The entrepreneur should track his or her time over a two-week period, using a time sheet with 15-minute intervals, and then analyze how time has been spent, where time has been wasted, and how these "time traps" can be avoided in the future (using the other principles). For example, the entrepreneur should not "reinvent the wheel" in solving similar problems; rather, standardized forms and procedures should be developed for all recurring events and operations.

principle of teamwork Acknowledgment that only a small amount of time is actually under one's control and that most of one's time is taken up by others

Principle of Teamwork Analysis of time will likely reveal to the entrepreneur that only a small amount of time is actually under his or her control—most of his or her time is taken up by others. The *principle of teamwork* acknowledges the increasing importance of delegation for an entrepreneur of a growing firm; that is, the entrepreneur must require others to take responsibility for the completion of tasks previously undertaken by the entrepreneur. The entrepreneur must also help members of the management team become more sensitive to the time management concept when dealing with others in the company, especially in dealing with the entrepreneur. Note that managing one's time does not mean that the entrepreneur must make himself or herself inaccessible to others; rather, accessibility is increased because the time that is spent with others can now be fully focused on them.

principle of prioritized planning Categorization of tasks by their degree of importance and then the allocation of time to tasks based on this categorization

Principle of Prioritized Planning The *principle of prioritized planning* requires the entrepreneur to categorize his or her tasks by their degree of importance and then to allocate time to tasks based on this categorization. For example, each day, an entrepreneur should list all tasks to be accomplished and indicate their degree of importance using a scale from 1 to 3, with 1 being most important, 2 somewhat important, and 3 moderately important. The entrepreneur can then focus on those tasks of most importance (those with a number 1). Furthermore, the entrepreneur can prioritize his or her time. For example, some entrepreneurs are most efficient in the morning, some during the afternoon, and some at night. The most efficient period of the day should be used to address the most important issues.

principle of reanalysis Periodic review of one's time management process

Principle of Reanalysis The *principle of reanalysis* requires the entrepreneur to periodically review his or her time management process. In this reanalysis, entrepreneurs can often improve their time management by investigating more systemic (systemwide) issues and revisiting potential opportunities for delegation. For example, the clerical staff and close assistants should be well trained and encouraged to take the initiative, including sorting correspondence and returning phone calls based on importance, dealing with issues of low importance to the entrepreneur, and instituting routines such as standard letters for the entrepreneur to sign, a daily diary, reminder lists, operations board, and an efficient "pending" file. All meetings should be analyzed to ensure that they are being run effectively. If not, the person who runs the meeting should be trained to do so. The purpose of all committees should also be reanalyzed to ensure that they still provide value.

IMPLICATIONS OF FIRM GROWTH FOR THE ENTREPRENEUR

Firm growth introduces a number of managerial challenges for the entrepreneur; challenges with which they may be unfamiliar and ill equipped to deal. In the preceding, we have offered a number of tools that entrepreneurs can develop to more effectively cope with, and manage, the growth process. Some entrepreneurs lack the ability to make the transition to this more professional management approach. Another group of entrepreneurs may be able but unwilling to focus their attention on achieving those tasks necessary to successfully achieve firm growth.

For example, Pearce Jones, founder and president of Design Edge, controlled growth by putting a halt on all growth for one full year. The company realized that if it did not get control over growth, serious problems were likely. At this decision point, the company had quadrupled its number of employees and had invested in a new building. Even though each new employee was contributing an increase of $150,000 in sales, the margins were small. The additional debt from the new facility and the additional costs for employees led to this abrupt decision to cease hiring, deactivate marketing and sales, refuse any new business, and basically focus only on existing customers. Although Pearce admits this decision was emotionally painful, it led to dramatic changes as profits actually doubled and no employee turnover was experienced.[13]

Another example of a reluctance to grow is illustrated by this quote from the founder and CEO of Southwest Airlines (at the time), Herb Kelleher: "Southwest has had more opportunities for growth than it has airplanes. Yet, unlike other airlines, it has avoided the trap of growing beyond its means. . . . Employees just don't seem to be enamored of the idea that bigger is better."[14] Growth may not be pursued because there is a belief that in doing so firm profitability and/or the firm's chances of survival will be sacrificed.

Even if there is a belief that the pursuit of growth will improve firm performance and enhance personal wealth, some entrepreneurs will still avoid growing their business. These entrepreneurs are not necessarily motivated by financial gain. Consider an individual who chooses to start a business because she or he is tired of being controlled by others—this person wants the independence that comes from being one's own boss. Growth may not be an attractive option for this entrepreneur, because acquiring the necessary resources for growth will mean selling equity (for example, to a venture capitalist) or raising debt capital (for example, from a bank). Both sources of resources place limits on the entrepreneur's ability to make strategic decisions for the firm. In this case the entrepreneur may prefer to have full ownership, be debt free, and remain small.

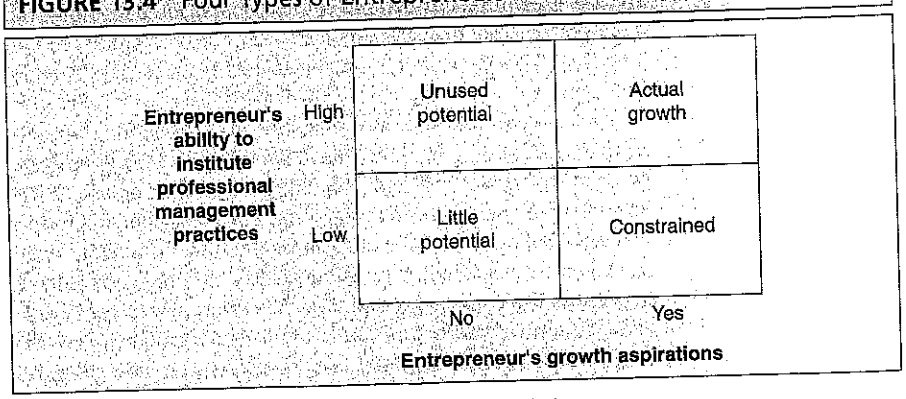
Evan Douglas is a professor of entrepreneurship and dean of the University of the Sunshine Coast in Australia. His dream is to create and manage a business that rents a small number of yachts to tourists. The office (preferably a shack) would be on the beach somewhere on the Great Barrier Reef. When he achieves this dream, the last thing that he wants to do is to grow the business such that his task moves to one of professional manager and away from the task of "beach bum." His dream business is an example of a lifestyle business. Growth can be perceived by such lifestyle entrepreneurs as threatening the very reason for becoming an entrepreneur in the first place.

A Categorization of Entrepreneurs and Their Firms' Growth

Based on the preceding arguments, Figure 13.4 categorizes entrepreneurs in terms of two dimensions: The first dimension represents an entrepreneur's abilities to successfully make the transition to more professional management practices, and the second dimension represents an entrepreneur's growth aspirations. Depending on the entrepreneur's position along these two dimensions, four types of firm growth outcomes are identified.

Actual Growth of the Firm Entrepreneurs in the upper-right quadrant possess both the necessary abilities to make the transition to a more professional management approach and

FIGURE 13.4 Four Types of Entrepreneurs* and Firm Growth



*Based on ability to make a transition to professional management and aspiration.

Source: Adapted from J. Wiklund and D. A. Shepherd, "Aspiring for and Achieving Growth: The Moderating Role of Resources and Opportunities," *Journal of Management Studies* (2003), vol. 40, no. 8, pp. 1919–42.

the aspiration to grow their businesses. These are the entrepreneurs who are the most likely to achieve firm growth.

Unused Potential for Growth Entrepreneurs in the upper-left quadrant possess the necessary abilities for transition *but* do not aspire to do so. These are the entrepreneurs of firms that have unused potential. A relatively large proportion of all lifestyle firms are represented by this classification.

Constrained Growth Entrepreneurs in the lower-right quadrant aspire to grow their businesses *but* do not possess sufficient abilities to successfully satisfy this aspiration. These entrepreneurs are most likely to be frustrated by the firm's lack of growth and are in the most danger of failure because the firm may be pushed toward the pursuit of growth opportunities and beyond the entrepreneur's ability to cope. However, the entrepreneur might replace himself or herself as the CEO with a professional manager. This will allow the aspiration to be fulfilled (move to the upper-right quadrant). This does not necessarily mean that the entrepreneur will leave the business; rather, the entrepreneur might manage R&D, new products, and/or new markets where his or her strengths are highly valued and enhance rather than constrain the growth of the firm.

Little Potential for Firm Growth Entrepreneurs in the lower-left quadrant possess neither the necessary abilities to make the transition to a more professional management approach *nor* the aspirations to grow their businesses. These businesses have little potential for growth, and due to the limited abilities of the entrepreneur to manage growth, these firms may actually perform better if they remain at a smaller scale.

Although the abilities of the entrepreneur and the existing resources of the firm can limit the effective pursuit of growth opportunities, the resources necessary for growth can be acquired externally—we refer to these sources as external growth mechanisms. These external mechanisms for growth, which include joint ventures, acquisitions, mergers, and so on, each offer a number of different advantages and disadvantages in providing the resources for effective growth, but all require the entrepreneur to negotiate a new relationship. For example, negotiation is a critical element to forming a joint venture.

Chapter 14 introduces the basic concepts and skills required for an entrepreneur to negotiate the best agreement with these potential growth partners—an agreement that maximizes the entrepreneur's interests. It then describes each external growth mechanism and its advantages and disadvantages.

IN REVIEW

SUMMARY

This chapter provides a model that suggests where an entrepreneur can look for (or create) opportunities to grow his or her business—opportunities that can provide a basis for a sustainable competitive advantage. The relevant growth strategies are: (1) penetration strategies—encouraging existing customers to buy more of the firm's products, (2) market development strategies—selling the firm's existing products to new groups of customers, (3) product development strategies—developing and selling new products to people who are already purchasing the firm's existing products, and (4) diversification strategies—selling a new product to a new market. Most of these growth strategies can lead to a competitive advantage because they capitalize on some aspect of the entrepreneur's, and the firm's, knowledge base.

Business growth has important implications for the economy, the firm, and the entrepreneur. High-growth businesses can stimulate an economy, improve its international competitiveness, and reduce unemployment. Even modest levels of growth by small businesses can have a dramatic impact on an economy because the population of small firms is so large. It is also important to acknowledge that growth strategies often involve the entrepreneur's taking some risk, which means that sometimes they will not succeed. A failed attempt provides information for that entrepreneur and other entrepreneurs, and learning from failure has an important positive impact on an economy.

Because growth makes a firm bigger, the firm begins to benefit from the advantages of size but also introduces a number of managerial challenges. It puts pressure on existing financial resources, human resources, the management of employees, and the entrepreneur's time. There are actions the entrepreneur can take to better manage these pressures and more effectively grow his or her business.

To overcome pressures on existing financial resources, the entrepreneur should apply more effective financial control, record keeping, and inventory management techniques. To overcome pressures on existing human resources, the entrepreneur must address the question of what proportion of the workforce should be permanent and what proportion should be part time, should be prepared to fire incompetent employees, and, at the same time, should build and maintain a functional organizational culture. It is important that the entrepreneur interact with employees, so as to establish a team spirit; effect open and frequent communication to build trust and provide constructive feedback; provide key employees with the flexibility to take the initiative and make decisions without the fear of failure; and provide continuous training for employees.

Entrepreneurs can always make better use of their time, and the more they strive to do so, the more it will enrich their venture as well as their personal lives. Better use of time can lead to increased productivity, increased job satisfaction, improved interpersonal relationships with people inside and outside the business, reduced anxiety and tension, and possibly even better health. Efficient use of time enables the entrepreneur to expand and grow the venture properly, increase personal and firm productivity, and lessen the encroachment of the business into his or her private life. Effective time management requires adherence to six basic principles: desire, effectiveness, analysis, teamwork, prioritized planning, and reanalysis.

Some entrepreneurs lack the ability to make the transition to this more professional management approach, while others may be unwilling to do so. Entrepreneurs who possess both the necessary abilities and the aspiration are most likely to achieve firm growth. Entrepreneurs who possess the necessary abilities but do not aspire to do so will manage firms that have unused potential and/or lifestyle firms. Entrepreneurs who aspire to grow their business but do not possess sufficient abilities are most likely to be frustrated by the firm's lack of growth and are in the most danger of business failure unless the entrepreneur replaces himself or herself. Finally, entrepreneurs who possess neither the necessary abilities nor the aspirations to grow their businesses may run businesses that provide a sufficient income if the businesses remain at a smaller scale.

RESEARCH TASKS

1. What different software packages are available to help entrepreneurs with their different record-keeping and control activities? How effective do you believe software can be for each of these tasks?
2. Which are the three fastest-growing companies in the country? What opportunities have they pursued to achieve this level of growth? What growth mechanism have they used (internal, joint venture, acquisitions, franchising, etc.)?
3. Use research to come up with three examples of founding entrepreneurs who stepped aside once their firms had grown to a certain size and brought in "professional managers." In each case, what relationship did the entrepreneur continue to have with the firm after the transition? Provide an example of a founding entrepreneur being forced out of the position of CEO to be replaced by a professional manager.
4. Keep a record of how you use your time by documenting what you are doing every 15 minutes over a two-day period. Then analyze these records to determine where you waste time and what you could do to eliminate (or minimize) these time wasters.

CLASS DISCUSSION

1. To what extent does the use of software help and hinder the entrepreneur's ability to perform the important tasks of record keeping and financial control?
2. The firm needs to make sales. What is the best way to motivate salespeople to make more sales and improve the performance of the firm? How would you effectively monitor their performance under the proposed motivation system? What are the pros and cons of your motivation and monitoring system?
3. Categorize those people in the class who you believe would be well suited for starting a business and managing initial growth but would be less effective at conducting the professional management tasks when the firm became larger. What can they do to improve their ability to successfully make the transition with the firm? Categorize those people in your class who you believe would be well suited to the role of professionally managing a larger (more established) firm but less effective at starting a firm and managing early growth. What can they do to improve their ability to manage a firm earlier in its development? Is there anybody in the class (except maybe yourself) who you believe would be equally effective at both tasks?
4. Think of a company that produces one product and sells it to one group of customers (or make one up). Advise the entrepreneur of the many opportunities there are for growth—opportunities for penetration strategies, market development strategies, product development strategies, and diversification strategies.
5. Are you a time waster or a time server? What time management techniques do you use? How can you better manage your time?

SELECTED READINGS

Baum, J. Robert; Edwin A. Locke; and Ken G. Smith. (2001). A Multidimensional Model of Venture Growth. *Academy of Management Journal,* vol. 44, no. 2, pp. 292–304.

The authors formed an integrated model of venture growth. CEOs' specific competencies and motivations and firm competitive strategies were found to be direct predictors of venture growth. CEOs' traits and general competencies and the environment had significant indirect effects.

Chrisman, James; Ed McMullan; and Jeremy Hall. (2005). The Influence of Guided Preparation on the Long-Term Performance of New Ventures. *Journal of Business Venturing,* vol. 20, no. 6, pp. 769–91.

In this article the authors further develop a theory of guided preparation and new venture performance and test its fundamental relationships on a sample of 159 new ventures that had received outsider assistance 5 to 9 years earlier and had been in business for 3 to 8 years. The results suggest that the long-term growth of the ventures since start-up is significantly related to guided preparation. However, a curvilinear model, rather than a linear model, was found to best capture the relationships of interest.

Danneels, Erwin. (2002). The Dynamics of Product Innovation and Firm Competences. *Strategic Management Journal,* vol. 23, no. 12, pp. 1095–1122.

This study examines how product innovation contributes to the renewal of the firm through its dynamic and reciprocal relation with the firm's competences.

Davidsson, Per; Bruce Kirchhoff; Abdulnasser Hatemi-J.; and Helena Gustavsson. (2002). Empirical Analysis of Business Growth Factors Using Swedish Data. *Journal of Small Business Management,* vol. 40, no. 4, pp. 332–50.

Although business growth differs among industrial sectors, youth, ownership independence, and small size are found to be major factors that underlie growth across all industries.

Delmar, Frédéric; Per Davidsson; and William B. Gartner. (2003). Arriving at the High-Growth Firm. *Journal of Business Venturing,* vol. 18, no. 2, pp. 189–217.

Using 19 different measures of firm growth (such as relative and absolute sales growth, relative and absolute employee growth, organic growth versus acquisition growth, and the regularity and volatility of growth rates over the 10-year period), the authors identified seven different types of firm growth patterns. These patterns were related to firm age and size as well as industry affiliation. Implications for research and practice are offered.

Park, Choelsoon. (2003). Prior Performance Characteristics of Related and Unrelated Acquirers. *Strategic Management Journal,* vol. 24, no. 5, pp. 471–81.

This paper focuses on a single event of a large acquisition, which enables the authors to better identify the sequential relationships between prior firm profitability, prior industry profitability, and subsequent acquisition strategies. By doing so, this paper makes clearer the causal relationships between firm profitability, industry profitability, and acquisition strategies.

Penrose, Edith. (1959). *The Theory of the Growth of the Business.* Oxford: Oxford University Press.

Pettus, Michael L. (2001). The Resource-Based View as a Developmental Growth Process: Evidence from the Deregulated Trucking Industry. *Academy of Management Journal,* vol. 44, no. 4, pp. 878–97.

This paper develops a resource-based perspective for predicting the sequencing of a firm's resources that best provides for firm growth. The sequencing that generated *the highest firm growth combines a Penrosian (1959) perspective with the more recent resource-based literature.*

Qian, Gongming. (2002). Multinationality, Product Diversification, and Profitability of Emerging U.S. Small- and Medium-Sized Enterprises. *Journal of Business Venturing,* vol. 17, no. 6, pp. 611–34.

This paper examines empirically individual and joint effects of multinationality and product diversification on profit performance for a sample of emerging small- and medium-sized enterprises (SMEs). The results suggest a curvilinear relationship between them: that is, they are positively related up to a point, after which a further increase in multinationality and product diversification was associated with declining performance.

Reuber, Rebecca A.; and Eileen Fischer. (2002). Foreign Sales and Small Firm Growth: The Moderating Role of the Management Team. *Entrepreneurship: Theory & Practice,* vol. 27, no. 1, pp. 29–46.

The premise of this article is that the management team of a small firm plays a key role in internationalization outcomes. Findings indicate that the behavioral integration of the management team moderates the relationship between foreign sales growth and overall firm growth.

Rugman, Alan M.; and Alan Verbeke. (2002). Edith Penrose's Contribution to the Resource-Based View of Strategic Management. *Strategic Management Journal,* vol. 28, no. 8, pp. 769–81.

Edith Penrose's 1959 book, The Theory of the Growth of the Firm, *is considered by many scholars in the strategy field to be the seminal work that provided the intellectual foundations for the modern, resource-based theory of the firm. However, the present paper suggests that Penrose's direct or intended contribution to resource-based thinking has been misinterpreted.*

Schulze, William S., Michael H. Lubatkin; and Richard N. Dino. (2003). A Social Capital Model of High-Growth Ventures. *Academy of Management Journal,* vol. 46, no. 3, pp. 374–85.

In this article the authors use social capital theory to explain how human and social capital affect a venture's ability to accumulate financial capital during its growth stages and its performance during the two-year period after going public. They found indications that social capital leverages the productivity of a venture's resource base and provides the venture with a durable source of competitive advantage.

Shepherd, Dean A.; and Johan Wiklund (2009). Are We Comparing Apples with Apples or Apples with Oranges? Appropriateness of Knowledge Accumulation across Growth Studies. *Entrepreneurship: Theory & Practice,* vol. 33, no. 1, pp. 105–23.

In this paper the authors conduct analyses on all Swedish firms incorporated during the 1994 to 1998 period (68,830 firms) and track their growth (or demise) over their first 6 years of existence. Although they typically find low shared variance between different growth measures, there is variability such that some measures demonstrate high and/or moderate concurrent validity. These findings have implications for how we delineate the boundaries of firm growth research and accumulate knowledge—when we are comparing apples with apples and when we are comparing apples with oranges. [Abstract from author.]

Wiklund, Johan; and Dean A. Shepherd. (2003). Aspiring for, and Achieving Growth: The Moderating Role of Resources and Opportunities. *Journal of Management Studies,* vol. 40, no. 8, pp. 1919–42.

In this article, the authors find that small-business managers' aspirations to expand their business activities are positively related to actual growth. However, the relationship between aspirations and growth appears more complex than stated.

Education, experience, and environmental dynamism magnify the effect of growth aspirations on the realization of growth.

Wiklund, Johan; Per Davidsson; and Frédéric Delmar. (2003). What Do They Think and Feel about Growth? An Expectancy-Value Approach to Small Business Managers' Attitudes toward Growth. *Entrepreneurship: Theory & Practice*, vol. 27, no. 3, pp. 247–71.

This study focuses on small-business managers' motivation to expand their firms. The results suggest that concern for employee well-being comes out strongly in determining the overall attitude toward growth. The authors interpret this as reflecting a concern that the positive atmosphere of the small organization may be lost in growth, which might cause recurrent conflict for small-business managers when deciding about the future route for their firms.

Wiklund, Johan; Holger Patzelt; and Dean A. Shepherd. (2009). Building an Integrative Model of Small Business Growth. *Small Business Economics*, vol. 32, no. 4, pp. 351–74.

The purpose of this article is to develop an integrative model of small-business growth that is both broad in scope and parsimonious in nature. Based on an analysis of data from 413 small businesses, the authors derive a set of propositions that suggest how entrepreneurial orientation, environmental characteristics, firm resources, and managers' personal attitudes directly and/or indirectly influence the growth of small businesses. [Abstract from authors.]

Zimmerman, Monica A.; and Gerald J. Zeitz. (2002). Beyond Survival: Achieving New Venture Growth by Building Legitimacy. *Academy of Management Review*, vol. 27, no. 3, pp. 414–32.

In this article the authors argue that (1) legitimacy is an important resource for gaining other resources, (2) such resources are crucial for new venture growth, and (3) legitimacy can be enhanced by the strategic actions of new ventures. They review the impact of legitimacy on new ventures as well as sources of legitimacy for new ventures, present strategies for new ventures to acquire legitimacy, explore the process of building legitimacy in the new venture, and examine the concept of the legitimacy threshold.

END NOTES

1. See, "PowerBar Reaps Bounty with New Harvest Bar; Crunched for Time, Americans Devour Energy Bars," *Business Wire* (August 4, 1998), p. 1; C. Adams, "A Lesson from PowerBar's Slow Start to Diversity," *The Wall Street Journal* (June 14, 1999), p. 4; and "The PowerBar Story," Company Web site www.powerbar.com.
2. H. I. Ansoff, *Corporate Strategy: An Analytical Approach to Business Policy for Growth and Expansion* (New York: McGraw-Hill, 1965).
3. Martha E. Mangelsdorf, "Growth Companies," *Inc.* (May 21, 1996), pp. 85–92.
4. P. Davidsson, L. Lindmark, and C. Olofsson, *Dynamiken i svenskt näringsliv (Business Dynamics in Sweden)* (Lund, Sweden: Studentlitteratur, 1994).
5. J. Wiklund, *Small Firm Growth and Performance: Entrepreneurship and Beyond,* Doctoral Dissertation (Jönköping: Jönköping International Business School, 1998).
6. R. Gunther McGrath, "Falling Forward: Real Options Reasoning and Entrepreneurial Failure," *Academy of Management Review* 24 (1999), pp. 13–30; F. A. Hayek, "The Use of Knowledge in Society," *American Economic Review* 5 (1945), pp. 519–30.
7. E. Pofeldt, "Collect Calls," *Success* (March 1998), pp. 22–23.
8. J. Fraser, "Hidden Cash," *Inc.* (February 1991), pp. 81–82.