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As business grows, you need to let go

For years entrepreneurship research has focused on the different stages that businesses go through when they grow. There has even been a seminal article on the subject.



Luke Pittaway

The research generally shows that entrepreneurs need to behave differently and do things differently at different stages of growth.

In the early stages the entrepreneur does everything. She or he is the CEO, “chief doer” and “chief seller.” Success during this stage is defined by being able to get customers and do the job while simultaneously developing strategy.

As the firm becomes more established, gains repeat customers and takes on initial employees, the entrepreneur is faced with the challenge of delegating basic tasks. He or she has to learn how to manage people, to stop doing everything and let go of these tasks.

In the next stage the entrepreneur takes on more employees, has more customers, and has to delegate more of the operational activities.

The thinking suggests that there comes a point when their span of control of operational staff becomes so great that they have to stop being a manager. At this point they have to let go of managerial responsibility and become a leader, trusting others to manage the employees.

As the business grows once more, managers are recruited until there comes a point when the span of control is again too great and the entrepreneur has to let go again, this time to executive responsibility.

In these stages of growth the entrepreneur is also faced with a need to let go of ownership of the business as investment is secured. In the end the entrepreneur may be faced with the ultimate challenge of letting go of the business altogether (e.g. by selling or IPO).

Although this neat picture of growth is rarely the case in reality, what it does show is the amazing learning challenge facing entrepreneurs of fast growing companies.

In each stage of growth, to

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be effective, the entrepreneur needs to learn to behave quite differently.

This idea about growth was the focus of a recent paper entitled “Letting go to grow,” which studied the issues empirically. The paper looked at the early stage of growth and new entrepreneurial ventures that were growing.

It looked specifically at “micro involvement” or the entrepreneur’s engagement in every detail of running the venture and explored whether growth led the entrepreneur to need to let go and change his approach as the firm grew.

The study drew on a sample of 644 firms in Germany. First, they identified that micro-involvement is effective for the business at an early stage and does contribute to a venture’s performance.

Secondly, they show the entrepreneur does have to let go somewhat as the firm grows. Interestingly, though, micro-involvement pays off in both of the early stages of growth and impacts on performance. The performance benefit just declined somewhat as the business expands.

So what does the research tell a budding entrepreneur?

It says that being directive, being focused, being detail oriented and being task-focused will help you get a business going and will help the business perform, but, gradually, this management style might become less useful to you as the business grows.

At some point you will have to let go of the details and learn to lead people.

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