



Queensland University of Technology
Brisbane Australia

This is the author's version of a work that was submitted/accepted for publication in the following source:

[Shepherd, Dean A.](#)

(2014)

Practical Advice to Entrepreneurs Series by ACE Adjunct Professor Dean Shepherd: Practical advice on whether to grow the business.

Practical Advice to Entrepreneurs Series by ACE Adjunct Professor Dean Shepherd, 007.

This file was downloaded from: <http://eprints.qut.edu.au/68408/>

© Copyright 2014 Please consult the author

You are free to copy, distribute, display, and perform the work under the condition that you give the original author credit. Cite as following: Shepherd, D.A. (2014). Practical advice on whether to grow the business. In D.A. Shepherd Practical Advice for Entrepreneurs, Indiana University, Bloomington IN; pages 22-24.

Notice: *Changes introduced as a result of publishing processes such as copy-editing and formatting may not be reflected in this document. For a definitive version of this work, please refer to the published source:*

PRACTICAL ADVICE ON WHETHER TO GROW THE BUSINESS

February, 2014

DEAN A. SHEPHERD
David H. Jacobs Chair in Strategic Entrepreneurship
Kelley School of Business
Indiana University
Kelley School of Business
1309 E. Tenth St.
Bloomington, IN 47405
shepherd@indiana.edu

You are free to copy, distribute, display, and perform the work under the condition that you give the original author credit. Cite as following:

Shepherd, D.A. (2014). Practical advice on whether to grow the business. In D.A. Shepherd *Practical Advice for Entrepreneurs*, Indiana University, Bloomington IN; pages 22-24.

Keywords: Growth; Motivation; Realization; Ability; Resources; Dynamic environments

PRACTICAL ADVICE ON WHETHER TO GROW THE BUSINESS

Creating and running a business can be very rewarding, but it can also lead to considerable frustration. We become frustrated when our business does not deliver the benefits that we want. This can happen because we pursue a goal that we assume we want (e.g., business growth) only to find out that we wanted a different outcome (e.g., to maintain independence and control of our business). On the other hand, we may know what we want (e.g., to grow the business) but lack the resources and/or opportunities to achieve the desired outcome. It is best to avoid such frustrations.

Flowing from my research (listed below), I offer the following advice for entrepreneurs considering growing their business:

1. Determine the true motivations for running the business

We may unquestioningly assume that our motivations for our business are the same as they are for everyone else: grow the business to maximize personal wealth. However, not everyone desires to grow their business. It is worth thinking about what we want to achieve through the business as opposed to simply assuming that growth will deliver it. Do we enjoy the independence of running our business more than, for example, the promise of personal wealth? If we do highly value the independence and flexibility afforded by being in control, then perhaps high growth may be taking us further away from what we truly enjoy about the business. High growth means that the business is becoming larger, which often requires delegating decisions to others and accessing equity capital to

fund capital improvements and working capital. Both these actions to achieve growth can reduce our feelings of independence: we are not in control of all decisions and now need to answer to investors/co-owners. However, if we are interested in growing a large business, then these obstacles to control do little to dampen our motivation. So, we need to be sure we know our primary motivation. Motivation can help make things happen. If we are highly motivated to grow our business, then it is more likely to grow. I say “more likely” because for the motivation to become a reality, we still need resources and opportunity, to which I now turn.

2. Reflect on the ability required to grow the business

Motivation to grow our business is important, but it is not enough to ensure it happens. We have to be able to identify and exploit opportunities to grow our business and have the ability to address the many growing pains that arise. These abilities are represented by our education and experience.

- ***Education can help us achieve desired growth.*** Although we normally think of education as somewhat divorced from practical reality, it does provide us some thinking skills—ways of approaching and solving problems. With more education, we have greater ability to harness our motivation and point it in a direction that can help us achieve this desired outcome. Of course, however, knowledge can come

from sources other than school—namely, from our experience, to which I know turn.

- ***Related experience can help us achieve desired growth.*** Experience in dealing with business challenges certainly helps us overcome some obstacles to enable us to achieve business growth. It could be start-up experience that provides knowledge about acting on opportunities under uncertainty; organizing new processes, norms, and stems; and managing role conflict. It could be management experience that provides knowledge of managing resources, enhancing efficiency, and dealing with stakeholders. It could be experience with managing a rapidly growing business, which provides knowledge, for example, about grasping opportunities for growth and dealing with the firm's "growing pains." The knowledge provided by some or all of these experiences can help our motivation to grow the business become a reality.

3. Access the financial resources needed to grow the business

Growth requires financial resources: cash to fund capital expansion, hire new people, and launch new products and/or launch into new markets. Financial resources also provide the slack necessary to experiment to find/create new business opportunities. Without cash or rapid access to it, the ability to achieve growth will be reduced, thus obstructing the achievement of this desired outcome.

4. Assess the industry

Although our personal motivations and abilities go a long way in explaining the outcomes we achieve, the environment also has an impact. Some industries are relatively static, providing few opportunities for new products/services or less access to new markets. In contrast, some industries are highly dynamic and have changing demand, which opens up growth opportunities for those in that industry. A dynamic environment provides the market conditions for us to be able to achieve our desired growth outcome.

5. Motivated but unable to grow the business

If we are highly motivated to grow our business but lack the ability to create and manage growth, then we are likely to experience frustration. To overcome this frustration, we need to either change our motivation (e.g., control rather than grow the business) or increase our ability to grow the business. For example, we either need to gain some personal experience with another person's start-up and/or fast-growing business or hire a person with this experience. Doing so will increase our ability to grow the business and thus achieve our desired outcome. Similarly, bringing on a partner who can provide cash for the business will help us overcome our own insufficient financial resources to enable the business to grow. Finally, if the industry is relatively stable, then perhaps we need to look at entering another industry, an industry that is more dynamic.

6. Think about which type of growth is desirable and feasible

We often think of business growth as just one outcome, but there are many different types of growth (e.g., growth in sales, employees, assets, and profits), and achieving one does not mean we will achieve the other. It is important to know which type of growth we want because our abilities, our access to resources, and the conditions of the target industry will have a different impact on whether we achieve that outcome.

Although we may automatically assume that we want to grow our business, we need to make sure deep down this is our primary motivation. If growth is our primary motivation, we need to make sure we have the abilities (i.e., education and experience), financial resources, and a dynamic environment to facilitate the realization of our growth aspirations. If we are motivated to grow the business but lack some of the resources or opportunities to make it happen, then we are likely to feel frustrated. We can overcome frustration by resetting our motivation to something that is more achievable and/or building resources and changing industries. Finally, recognizing that there are many different ways in which a business can grow and that the drivers differ for each type, we need to be specific about the type of growth we are motivated to achieve and whether we have the resources and opportunities to achieve that type of growth.

Bibliography

The motivation for this note was to share some of the practical implications of my research, specifically the following:

- Shepherd, D.A. and Wiklund, J. (2009). Apples versus apples or apples versus oranges: Appropriateness of knowledge accumulation across growth studies. *Entrepreneurship Theory and Practice* 33(1): 105-123.
- Wiklund, J. and Shepherd, D.A. (2003). Aspiring for, and achieving growth: The moderating role of resources and opportunities. *Journal of Management Studies* 40(8): 1919-1942.