

Growth, Bullfrogs, and Small Businesses

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Small business owners are always striving to grow the business in pursuit of success. The question of how to make that happen is the paramount issue. Spotlighting key areas related to sustained, rapid growth and its consequences, both good and bad, is especially essential for small businesses who rarely have much of a financial cushion. Do all small business owners want to have extended, high growth periods? If so, what problems are associated with such accelerated growth? How can small business owners grow successfully, guarding against many common pitfalls?

In his study of individual companies over time, David Birch identified a group of businesses that had demonstrated consistent growth at a rate of at least 20% for each of five consecutive years. (Hopkins, 1997) These companies became nicknamed gazelles for their ability to run in bounding, rapid leaps forward and upward. Other names have also been associated with companies exhibiting high growth rates, such as jackrabbits (“Innovative Ideas”, 1997) or hot growth companies. (“1997 Hot Growth Companies”, 1997) Only about 3 percent of businesses are gazelles. (Case, 1996) Slow and steady competitors in the market, on the other hand, have been defined as mice. They have learned how to survive, establishing a presence in the long run and usually growing at less than 10% annually. Because most small businesses remain relatively stable in size, they have been equated to mice that work very hard to feed themselves, are comfortable with that status, and are given little recognition in their world.

In today’s economy and ever changing business environment, sustained rapid growth is not always feasible or always desirable. The way gazelles and mice have been defined is almost too simplistic. However, the gazelle definition can be considered in general as a mindset that fosters growth. Both the mouse and the gazelle have common roots in that they both begin with the entrepreneur. But, the initial reason for forming the business differs for these two, stemming from a different mindset. Mice seek to provide personal income without working for someone else, whereas gazelles seek to create wealth in the marketplace often by foregoing their own immediate income. (Birch, 1987) The gazelle mindset is always forward thinking and requires a very high level of self-sacrifice by the entrepreneur to feed the growing business.

The successful small business owner should always be poised to take advantage of growth opportunities even though the time may not be right now. The owner should have a forward mentality and approach to the business, creating growth opportunities in slower times, recognizing opportunities that present themselves, and managing toward them by being prepared and positioning for growth.

The key issue small business owners must consider seriously is whether they can and/or should grow rapidly for an indefinite period of time. Of course, growth and success are the paramount goals. But is upwards of 20% growth every year feasible for their particular business, in their market, or in their industry? Are they prepared to go global in a short span of time or even for some businesses by one leap onto the Internet?

The mindset of the entrepreneur that guides all decision making for a small business is a key factor in the extent and rate of growth. Growing for protracted periods of time can cause the business to suffer for lack of capital, human resources, and/or the ability to respond rapidly to a constantly changing environment. These are critical factors that a small business owner must consider in order to manage high rates of growth and survive.

Capital to use for acquisition of resources becomes a major priority. Stress increases as the business strives to grow in a dynamic market environment where mistakes can be extremely costly. Additionally the growth “window of opportunity” may only be open for a very brief period of time. Recognizing these the small business owner continually must do the following:

- a) Assess all areas requiring capital for its new leap of growth.
- b) Plan for future increased cash flow needs. These must be monitored closely during the growth phase.
- c) Investigate the feasibility of outsourcing as a means of keeping investment of capital as low as possible while maintaining quality of product and/or service.
- d) Establish and reinforce ongoing relationships with bankers and others that are potential capital sources for the future. Intensify these efforts between rapid growth times.
- e) Periodically assess the decision of whether to remain a private business or to go public.

Human Resources are also critical for rapid growth. Expansion can be so fast that merely finding increasing numbers of qualified and affordable employees becomes a difficult process. Given the constant turnover in today’s market, keeping those employees, if indeed they are found, is a delicate balance that requires creativity and can be expensive. Qualified, productive human resources with the targeted skills needed are vital to the success of any business. In fact, often human resources are the competitive advantage for a business. This is even more critical for a gazelle mindset since there is little time for human resource problems or training while the business is rapidly growing. Between rapid growth periods, the small business owner must do the following:

- a) Plan for the specific human resource needs of the growing business. This identifies specific knowledge, skills, and abilities that are essential for growth and thus avoids hiring haphazardly.
- b) Establish relationships with area high schools, technical schools, and junior or senior colleges because these institutions serve as an excellent source for human resources. In some cases, specific courses can be designed by the institution to meet the needs

- c) Establish relationships with recruitment firms specializing in the appropriate market to attract necessary, qualified human resources. Also military outplacement services offer a variety of skilled personnel coming onto the job market.
- d) Research and design competitive compensation packages to attract the sheer numbers of human resources needed. This allows hiring qualified employees already working in the marketplace. The research step is important and should not be bypassed because it will save the business from spending unnecessarily or conversely, from failing to attract good people.
- e) In addition to competitive pay, consider all benefits that have limited costs such as allowing flextime. These will help with retention issues.

The business environment is ever-changing, and for the growth minded, changes at a rapid rate. Continual adaptation is needed to meet new challenges. In fact, Birch describes the psychological environment for the gazelle as one of terror that is continual in nature (Chun and Griffin, 1996) Flexibility and quick response must be the norm. The traditionally accepted “long range” business plan of five years and over now becomes shortened to between one and three years. A one year plan can culminate “tomorrow,” given the constant state of fluctuation. There is a delicate balance of continual adjustments the high growth company must be able to make while staying the course to fulfill the mission of the business. Thus, for success, the small business owner must do the following:

- a) Keep the gazelle mindset but recognize the reality that sustained, rapid growth may not be practical or the best for the majority of small businesses.
- b) Plateau periodically to maximize the planning function. This allows for the flexibility to analyze and choose among options ensuring that the business remains proactive. Plateaus should be designed with a limited time frame.
- c) Ensure flexibility with proper planning so that decision making does not become reactionary, and resources can be gathered for a rapid, growth leap. Continually testing the market and assessing the competition should be an integral part of the planning process.

The forward thinking small business owner with the gazelle mindset and a realistic understanding of the burgeoning needs of a growing business can be redefined. Rather than remaining a mouse or undergoing permanent metamorphosis from mouse to gazelle, running the extreme risks of bankruptcy and burnout, a mouse can transform itself instead into a bullfrog. The bullfrog small business retains the gazelle mindset but takes strong leaps forward for limited spurts of growth, then gathers itself, poised on the lily pad to reassess, plan, and time the next forward leap. This allows for more control of the growth process. The time spent on the lily pad is not an inactive time for the small business. It is an indispensable part of a repetitive cycle that helps the small business owner avoid the pitfalls of sustained, rapid growth. With gazelles, the continual growth without end often results in uncontrolled landings and/or growth out of control. Proper, prior planning for the future is essential for the success of any small business. Growing too fast without

sufficient depth of specific resources and appropriate forethought can lead to disaster and even the ruin of the business. If a business is unable to maintain its growth rate indefinitely and has not planned accordingly, it will collapse. With all this in mind, the small business owner can effectively plan for growth and maybe achieve higher growth levels over time as a bullfrog.

For the vast majority, neither the mouse nor the gazelle alone will accomplish what the entrepreneur sets out to do — that is to be largely successful. Both mice and gazelles are valuable to the American business scene. But most small business owners will benefit by taking advantage of the best of both in the form of a bullfrog. Utilizing the bullfrog approach permits the entrepreneur to make a living and to leave a legacy.

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