



Transitioning from an Entrepreneurship to a Professionally Managed Firm



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Objectives

- What do the Data say about Growth Expectations
- Overview of the Concept of Growing Pains
- Evaluation of Your Business' Growing Pains
- What Can we Do About them?



A Historical Perspective on Growth

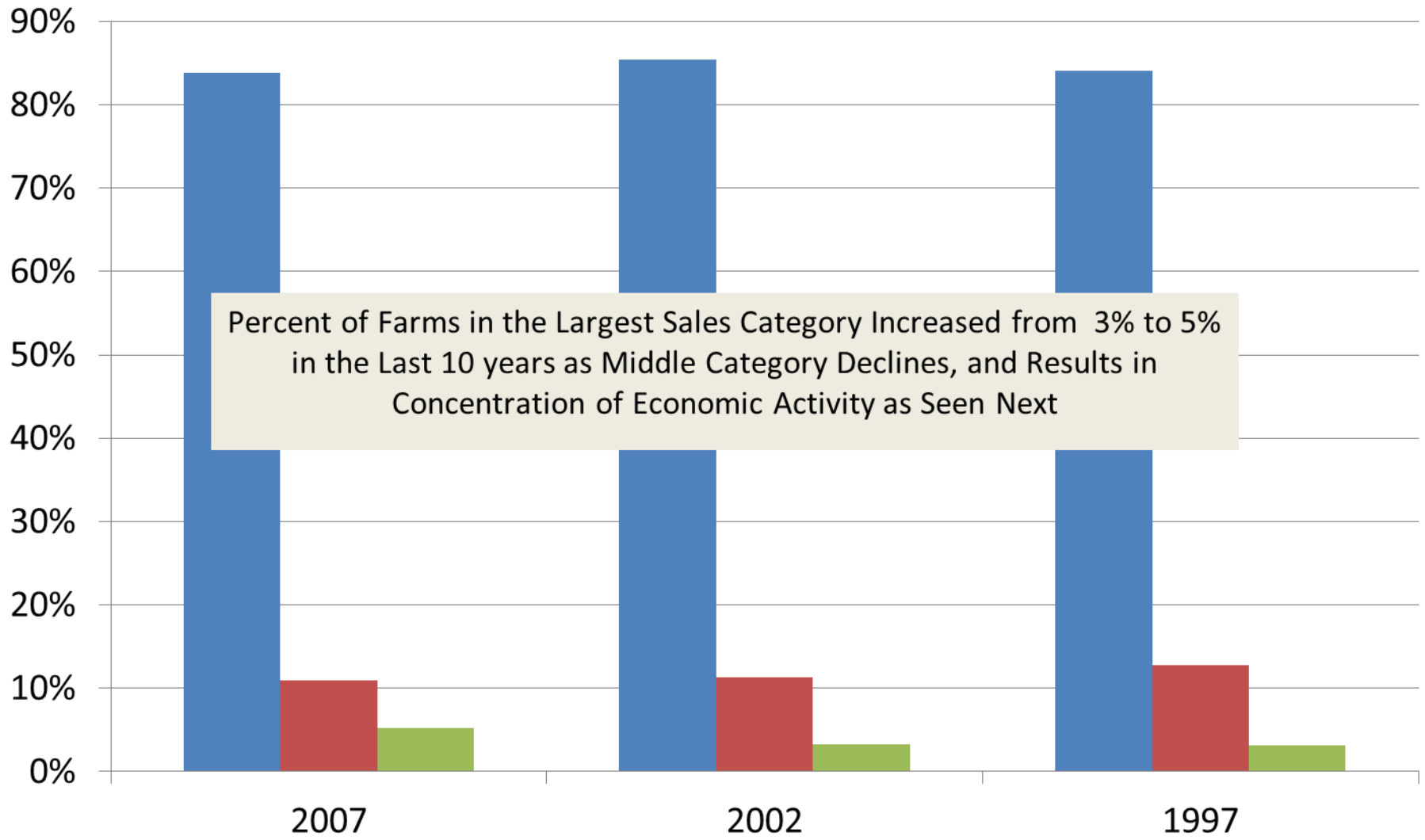


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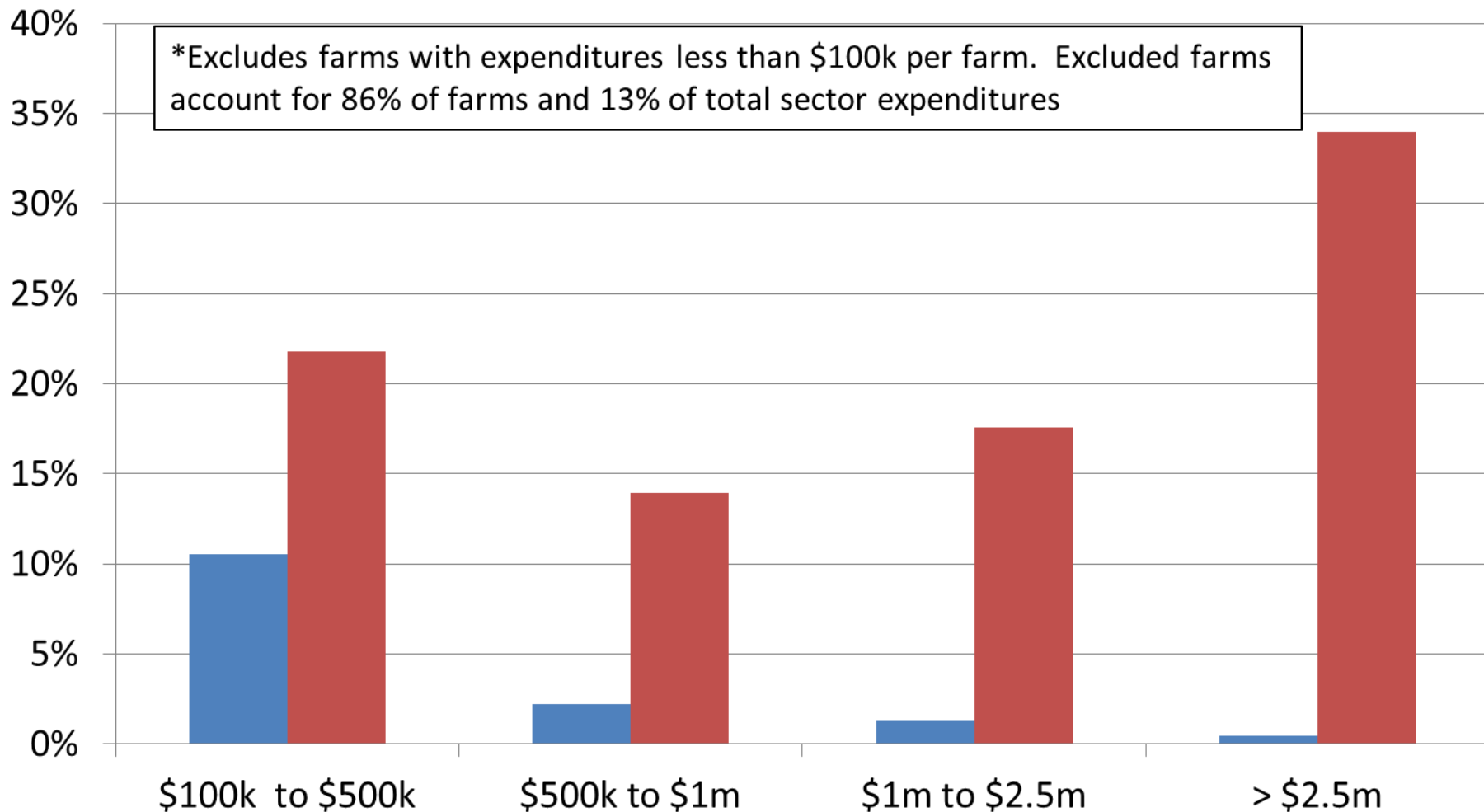
Distribution of Farms by Sales Category, 1997-2007

■ < \$100k ■ \$100k to \$500k ■ > \$500k



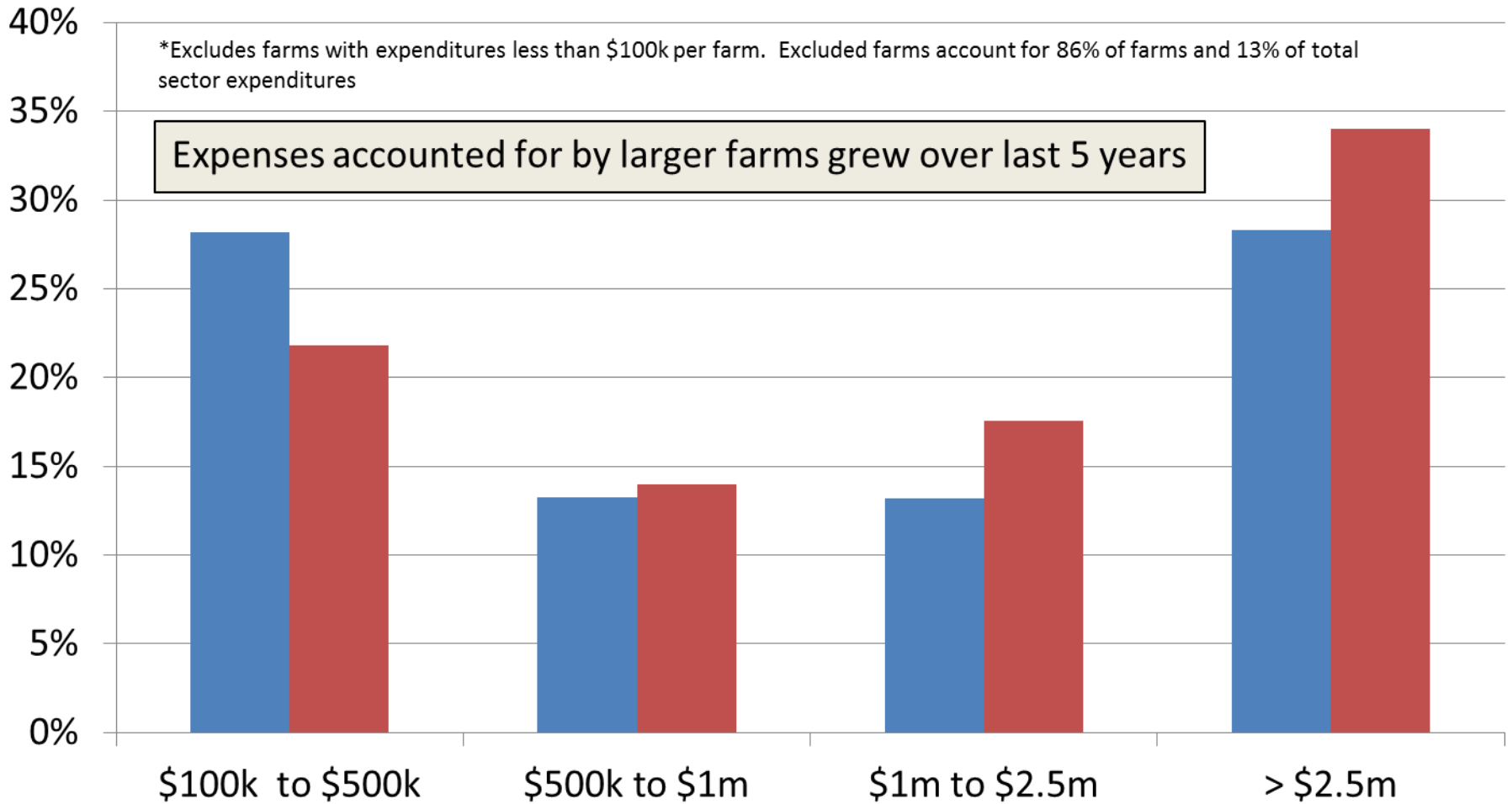
Distribution of Farms and Total Expenditures by Expenditure Categories Over \$100k, 2007*

■ 2007 Farms ■ 2007 Expenses



Distribution of Total Expenditures by Expenditure Categories Over \$100k, 2007 versus 2002*

■ 2002 Expenses ■ 2007 Expenses



What do our data show about growth expectations going forward?



Overview of Farm Growth

Number of Producers	1,128
Acres in 2012	1,937,576
Acres 5-Years from Now (2017)	2,385,419
Acre Growth	447,843
% Growth (5-year total)	23.11%
Annualized Growth	4.25%

Data suggest continued growth, but at an annual rate slower than many would probably expect.



Overview of Farms with No Acre Growth

Number of Producers	511
Acres in 2012	701,581
Acres 5-Years from Now (2017)	701,581
Acre Growth	-
% Growth (5-year total)	0.00%
Annualized Growth	0.00%

About **half** of the sample indicated that they expected no growth!



Overview of Farms with Positive Acre Growth

Number of Producers	535
Acres in 2012	1,068,772
Acres 5-Years from Now (2017)	1,565,024
Acre Growth	496,252
% Growth (5-year total)	46.43%
Annualized Growth	7.93%

When you remove farms that aren't growing, a much more robust growth story emerges.



Overview of Farms with Negative Acre Growth

Number of Producers	82
Acres in 2012	167,223
Acres 5-Years from Now (2017)	118,814
Acre Growth	(48,409)
% Growth (5-year total)	-28.95%
Annualized Growth	-6.61%

Some also have equally strong negative growth expectations, making the stakes high for retailers investing in customer relationships!



A look at concentration

Today

Tomorrow

Groups of Producers	2012					5-Years from Now (2017)				
	# of Producers	% of Total Producers	Avg. Acres	Total Acres (Group)	% of Total Acres	# of Producers	% of Total Producers	Avg. Acres	Total Acres (Group)	% of Total Acres
<1000	476	42.2%	539	256,395	13.2%	425	37.7%	540	229,405	9.6%
1000-1,999	338	30.0%	1,370	462,989	23.9%	314	27.8%	1,300	426,585	18.3%
2000-2,999	144	12.8%	2,371	341,489	17.6%	157	13.9%	2,391	375,371	15.7%
3000-3,999	70	6.2%	3,252	227,674	11.8%	85	7.5%	3,235	280,061	11.7%
4000-4,999	38	3.4%	4,258	161,819	8.4%	51	4.5%	4,233	217,183	9.1%
>5000	62	5.5%	7,858	487,210	25.1%	96	8.5%	8,821	846,808	35.5%

This suggests that in only 5 years, the proportion of total acres farmed by those with over 5,000 acres to increase from 25% to 36%. Virtually all the share would be lost by farms under 3,000 acres!



What are Growing Pains?

- Growing pains are problems that occur as a result of inadequate organizational development in relation to business size and complexity



Ten Most Common Organizational Growing Pains

- There aren't enough hours in the day
- Too much time “putting out fires”
- Don't know what others are doing
- Don't know where the firm is headed
- Not enough good managers
- “I have to do it if it is to be done right”
- Meetings are a waste of time
- Very little follow up on plans so things don't get done
- Some feel insecure about their place
- Sales are growing but profits aren't keeping pace








What does your firm look like?

- Take a few minutes to read the definitions of the growing pains that are attached to the survey handout.
- Thinking about your business, answer the survey.
- Fill out the scoring section of the survey



What does your score say?

Score Range		Interpretation
10-14		Everything OK
15-19		Some things to watch
20-29		Some areas that need attention
30-39		Some very significant problems
40-50		A potential crisis or turnaround situation

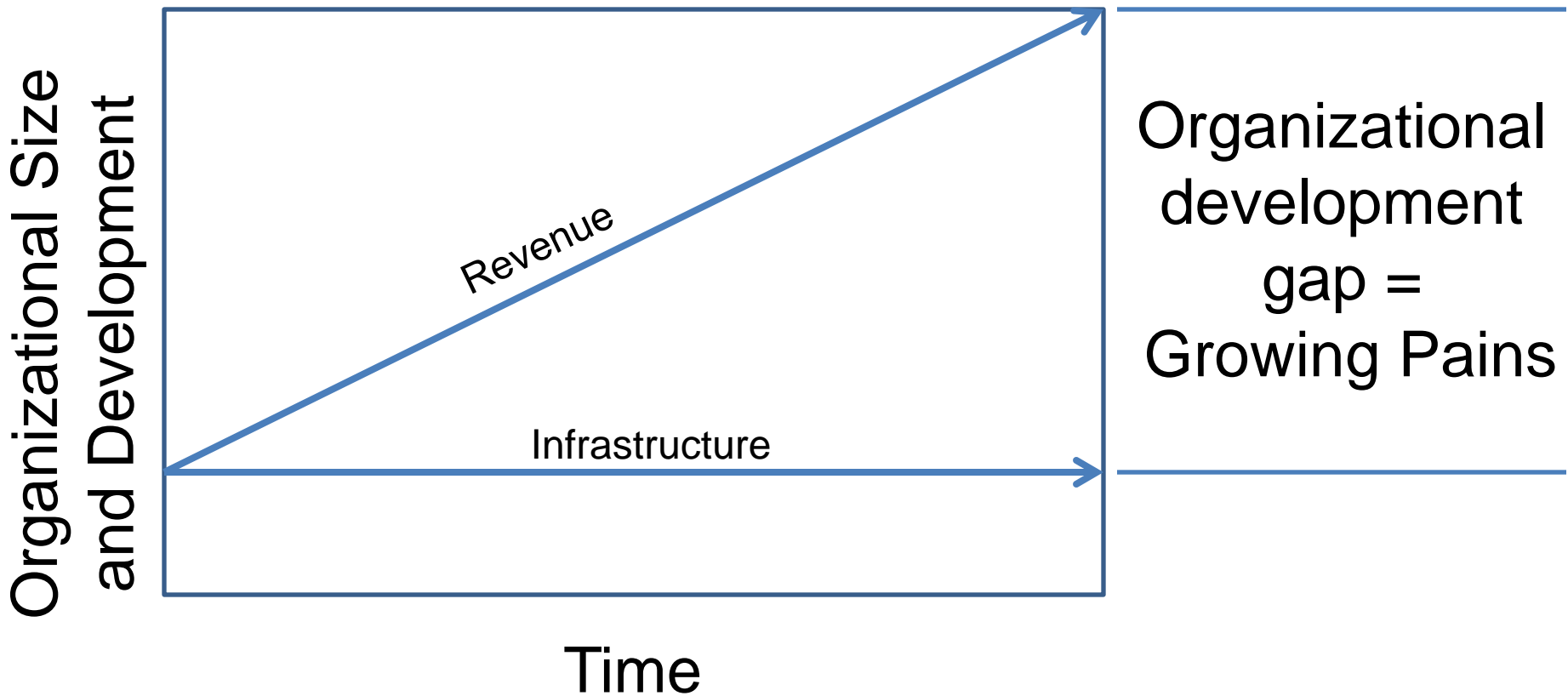


The Challenges of Entrepreneurs

- As an Entrepreneurial firm grows it faces Growing Pains:
 - Sales expand rapidly and the firm's resources become stretched
 - Needs for more inventory, space, equipment, people and funds
 - Day-to-day activity tends to take on an almost frenzied quality
 - Operational systems (marketing, production, service delivery, accounting, credit, collections and personnel) are often overwhelmed.
- The Firm is lacking **Organizational Development**



Discrepancy Between Growth and Development



Pyramid of Organizational Development

Corporate Culture

- Values
- Beliefs
- Norms

Management Systems

- Planning Systems
- Organization Structure
- Management Development Systems
- Control and Performance Management Systems

Operational Systems

- Accounting
- Information Systems
- Production
- R&D
- Marketing
- Sales
- Human Resources

Resource Management

- Financial
- Physical
- Technological
- Human

Product and Services

- Develop Products and Services

Markets

- Defined Targeted Segments
- Develop Niche

Business Foundation

▪ Business Concept

▪ Core Strategy

▪ Strategic Mission



Stages of Organizational Growth and the key developmental Tasks

Approximate Organizational Size (\$Million of Sales)

Stages of Growth

- | | | |
|------------------------------------|---|----------------------------------|
| ▪ Stage I -- New Venture | → | ▪ \$0.3 – 441 Acres |
| ▪ Stage II -- Expansion | → | ▪ \$0.3 to \$3.3 – 441 to 4800 |
| ▪ Stage III -- Professionalization | → | ▪ \$3.3 to \$33 – 4800 to 48,000 |
| ▪ Stage IV -- Consolidation | → | ▪ \$33 to \$167 -- > 48,000 |



Stages of Organizational Growth and the key developmental Tasks

Stages of Growth

- Stage I



- Stage II



- Stage III



- Stage IV



Critical Development Areas

- Markets and Products

- Resources and Operational Systems

- Management Systems

- Corporate Culture



Professional or Entrepreneurial?

Key Result Areas	Professional Management	Entrepreneurship
Profit	Profit orientation; profit as an explicit goal	Profit as a by-product
Planning	Formal systematic planning: <ul style="list-style-type: none"> • Strategic Planning • Operational Planning • Contingency Planning 	Informal, ad hoc planning
Organization	Formal, explicit role descriptions that are mutually exclusive and exhaustive	Informal structure with overlapping and undefined responsibilities
Control	Formal, planned system of organizational control, including explicit objectives, targets, measures, evaluations, and awards	Partial, ad hoc control, seldom with formal measurement
Mgmt Development	Planned Mgmt. Development: <ul style="list-style-type: none"> • Identification of requirements • Design of Programs 	Ad hoc development, principally through on-the-job training

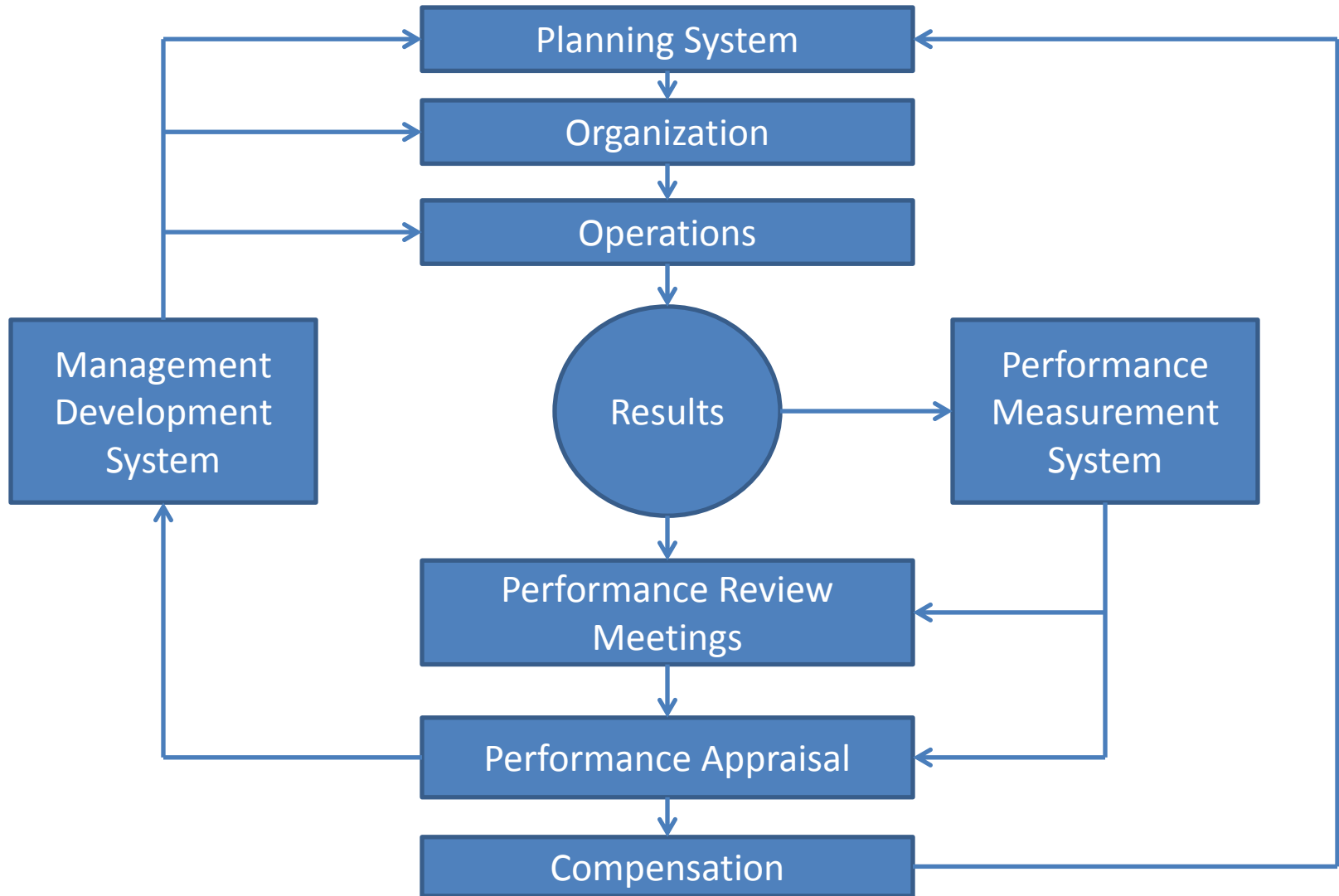


Professional or Entrepreneurial?

Key Result Areas	Professional Management	Entrepreneurship
Budgeting	Management by standards and variances	Budget not explicit; no follow-up on variances
Innovation	Orientation to incremental innovations; willingness to take calculated risks	Orientation toward major innovations; willingness to take major risks
Leadership	Consultative or Participative Styles	Styles varying from very directive to laissez-faire
Culture	Well-defined	Loosely defined, “family” –oriented culture



The Professional Management System



The Tools of Professional Management

- Strategic Planning
- Organizational Structure
- Management Leadership Development
- Organizational Control and Performance Management Systems
- Effective Leadership
- Corporate Culture Management



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4TH
EDITION



GROWING PAINS

TRANSITIONING FROM AN ENTREPRENEURSHIP
TO A PROFESSIONALLY MANAGED FIRM

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