

## BA260H READINGS FOR 4/15/19

### Vignette (6th Ed) Ch 13

- MATT energy started from personal knowledge of latin american plants used as drinks.
- Settled on a plant that has a bunch of healthy qualities as well as energy

- went door to door and to Whole Foods Hq to ask about selling her product.

- since receiving much funding, there are now 6 flavors.

### What Went Wrong (6th ed) Ch 13

- started a company that photographed food for menus and whatnot
- raised 2.8 mil but eventually ended up needing 100K per month, and earning 7K per month (oof).

- in a civil discussion with investors, they decided to shut it down and keep \$1.8 mil in funds (this led to the creation of another unrelated company).

### CH 13 Notes

- companies examined by Inc Magazine followed these trends ( $n=100000...$ )
  - Boom and Bust
  - Boom and Plateau
  - fits of growth (w/market)
  - Steady Growth (best)

Also, plan for growth

- Not all companies are ready for fast growth
- It is possible for a company to grow too fast.
- Some businesses do not scale (i.e. individualized services..)

- when preparing for growth, a company can do:

- appreciate the nature of growth
- stick to core strategy
  - ↳ usually related to core competencies = skills.

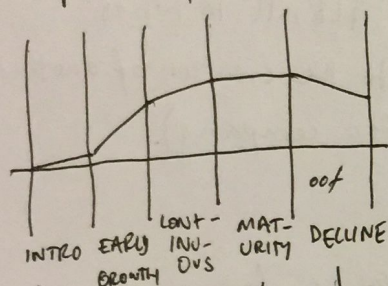
- Signs of growing too fast

- Borrowing \$ for routine expenses
- Tight profit margins
- Overstretched staff
- Declining product Quality
- Correspondences go unanswered
- Customers complain more
- Employees do not want to work
- Productivity is falling



- Constantly operating in crisis mode
- Financial people are worrying
- Reasons that firms would want to grow
  - Economies of scale
  - Economies of scope - how many items a company can sell
  - Market Leadership
  - Influence, power, sustainability
  - Accommodate customer growth
  - Ability to catch and keep talented employees.

### Stages of growth



"CEO" as below refers to founder(s) not CEO.

↓  
make sure all systems are go - and product sells OK

↓  
industry connex. might have to swap out managers to succeed.

↓  
Only happens if the firm cannot adapt, or loses competitive advantage, or loses its meaning.

characterized by:  
 increasing sales and corporate complexity.  
 → "CEO" → manager of products  
 → make employees self sufficient without "CEO".

- Problems with growth
  - Managerial problems

↳ management is not able to take advantage of opportunities

→ D2D (day to day)

↳ cash flow (more cash needed)

↳ Price Stability (other companies trying to fight)

↳ QC (checking product)

↳ Capital Needs.

### Some Definitions

→ productive opportunity set

↳ opportunities a firm feels capable of pursuing.

→ Managerial Capacity problem.

→ Adverse Selection: ~~as a~~

↳ as a firm needs more employees, it gets harder to find and place them.

→ Moral Hazard

↳ new employees may not be as vested in company

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HBR: Lean startup changes Everything

- we are seeing a shift to Lean-Startups. These come as the "stealth Mode" startups are fading out

↳ Customer feedback > stealth

- Lean Startup is not only for small companies

↳ GE, Qualcomm, Intel are implementing.

↳ Helps these companies stay on top despite innovation from competitors.

	LEAN STARTUP	TRADITIONAL
STRATEGY	- Business Model - theory-driven	- Business plan - implementation driven
NEW PRODUCT PROCESS	- Develop Customers - Test product	- Product management - Prepare product for market w/ plan
ENGINEERING	Agile Development Build product incrementally or iteratively	Agile or Waterfall development Build iteratively or fully specify product before building
ORGANIZATION	Hire for learning and nimbleness Customer/Agile Dev teams	Hire for knowledge and ability to execute Departments by function
FINANCIAL REPORTING	Metrics that Matter Cost to acquire, churn, value, virallness	Financial Accounting Income statement, balance sheet, cash flow
SPEED, FAILURE	Expected ↳ pivot	Exception ↳ fire executives
	RAPID! Good-enough data	measured complete data only