

Ascend National: Strategic Foundations of Driving Growth

Ben Hallen (bhallen@uw.edu)

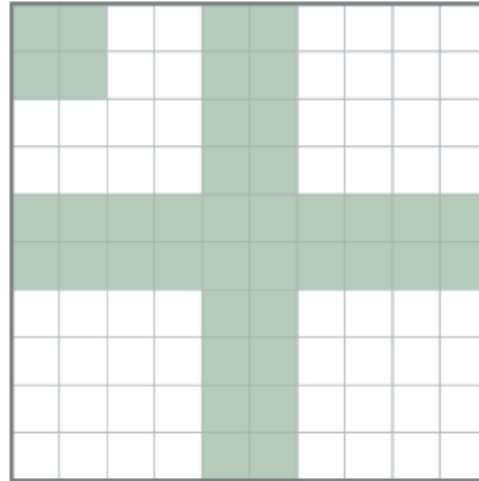
Dempsey Endowed Professor in Strategy and
Entrepreneurship

Sept 2025



The challenge:

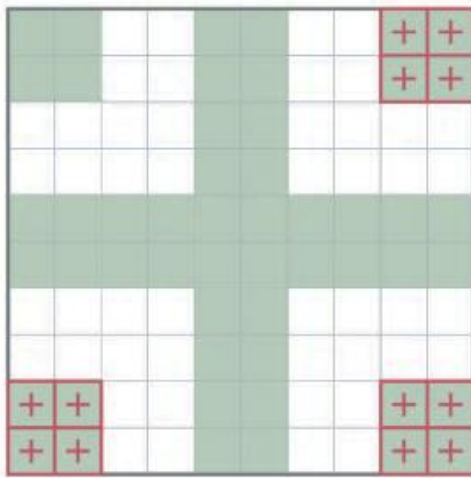
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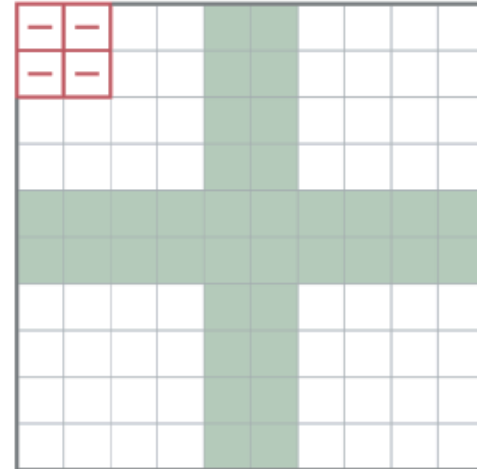
- Source: Adams et al 2022 HBR

Tendency to Add Instead of Simplify

Addition



Simplification



- Source: Adams et al 2022 HBR

Discuss in Pairs

- What has brought you to Ascend?
- What are you hoping to achieve?
- What challenges do you see ahead? Opportunities?

Today's Learning Goals

- Foundations of scaling
- Navigating economic downturns
- Working with especially large customers

Today's Case: Leonard Wright and Scaling in the Courier Industry



About Me

- Entrepreneur – CTO / CEO of early Internet Newsletter Company
- PhD in Strategy, Technology and Entrepreneurship from Stanford
- Foster Teaching: Exec MBA Capstone, MS in Entrepreneurship, Creative Destruction Lab
- Executive Education Teaching: Competing around AI
- Associate Editor at Strategic Management Journal
- ***Focus: How to accelerate growth? (Especially the “Mighty Middle” of mid-size businesses)***



Entrepreneurship

Scaling a Midsize Startup

by Benjamin Hallen and Ed Hallen

May 23, 2024



master1305/Getty Images

Summary. The “mighty-middle” segment of startups falls between venture-scale unicorns and small businesses. These startups aim for valuations in the high single-digit to high tens of millions within 5-10 years, targeting midsize niches with significant growth potential.... [more](#)



Gift Article



Post



Post



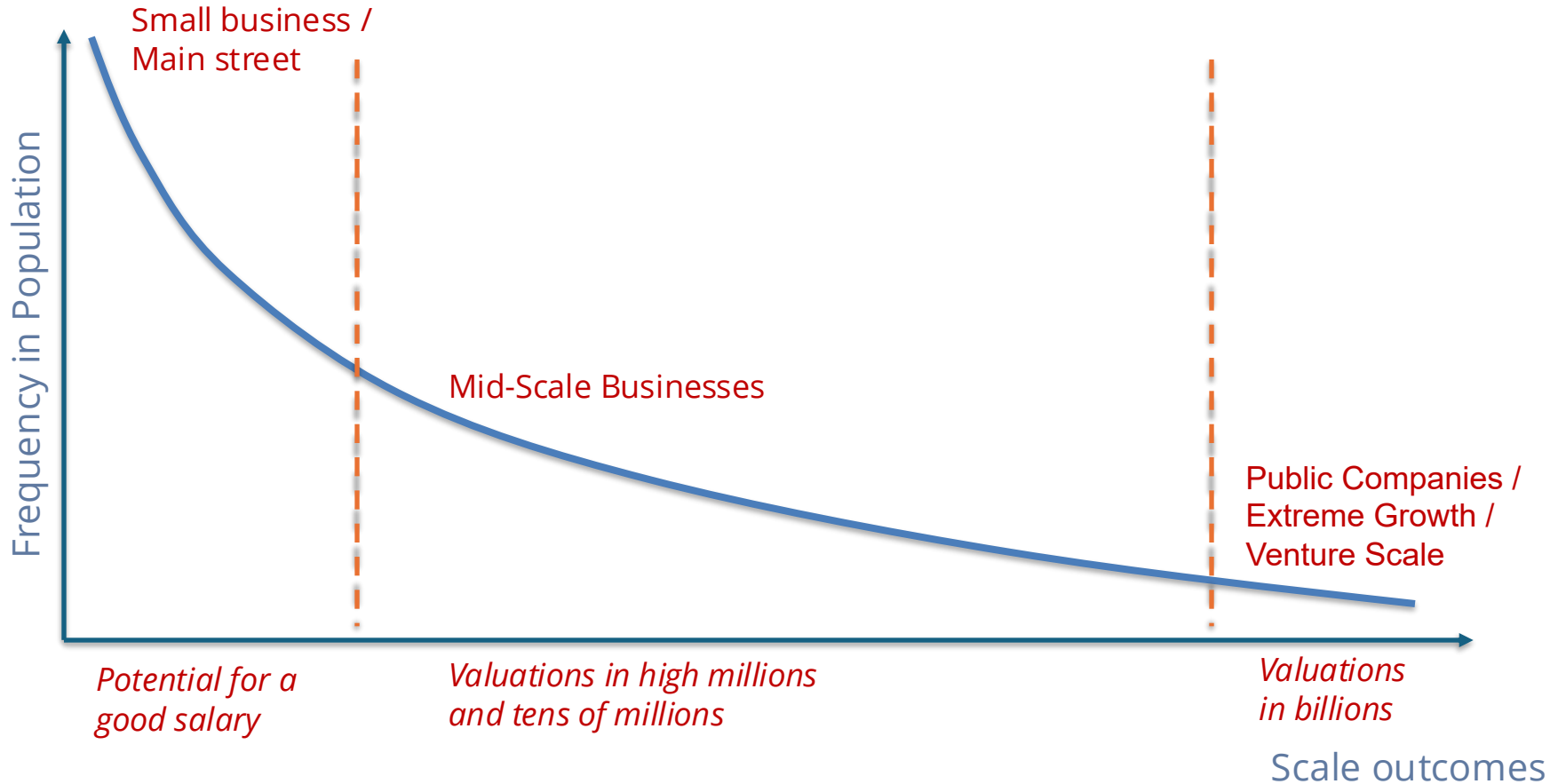
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The popular conception of entrepreneurship is that it comes in two sizes. Venture-scale startups aim for billion-dollar valuations within a decade by targeting large markets disruptively through innovative technologies or business models. Such aspiring “unicorns” capture the attention of many venture capitalists and angels and include success stories such as Google, Meta, and Airbnb. On the other end of the spectrum, small business entrepreneurship encompasses ventures that start small and often remain so, competing in mature markets using established templates, such as local restaurants, retailers, and service



<https://hbr.org/2024/05/scaling-a-midsize-startup>

“Power Law” Distribution of Business Scale



Breakdown of U.S. firms by Estimated Revenue in 2024 (Data source: Grata)

Revenue Range	# US Companies	# Early Stage Funding ¹	% with Early-Stage Funding	# Later Stage Funding ²	% with Later Stage Funding
\$0M <= X <= \$5M	3,059,905	38,674	1.26%	15,916	0.52%
\$5M < X <= \$10M	407,490	5,060	1.24%	4,974	1.22%
\$10M < X <= \$20M	211,255	2,966	1.40%	5,011	2.37%
\$20M < X <= \$30M	144,022	1,466	1.02%	3,038	2.11%
\$30M < X <= \$40M	21,157	430	2.03%	1,838	8.69%
\$40M < X <= \$50M	10,717	239	2.23%	1,354	12.63%
\$50M < X <= \$60M	7,677	162	2.11%	981	12.78%
\$60M < X <= \$70M	5,672	121	2.13%	789	13.91%
\$70M < X <= \$80M	3,410	53	1.55%	416	12.20%
\$80M < X <= \$90M	3,453	69	2.00%	396	11.47%
\$90M < X <= \$100M	3,491	66	1.89%	375	10.74%

Data was gathered December 11 2024 from Grata. These counts are based on machine learning revenue estimate based on observable firm characteristics and public record filings.

1 – Early-stage funding is listed as pre-Seed through Series A, as gathered from the press releases of VC firms, accelerators, and startups; most angel deals are thus likely excluded.

2 – Later Stage funding includes Private Equity backed, Late-Stage funding, Pre-IPO funding, and Other; these investments generally occurred after firms achieved a degree of revenue and profitability.

Today's Agenda

- Morning: Foundations of Scaling; Case Part I – Scaling to \$15M
- Afternoon: Case Part II (distributed later)

FOUNDATIONS OF SCALING

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Discuss in Pairs

- What has driven your growth to date?
- Will these same mechanisms drive future growth?
- If so, what do you need to keep doing?
- If something different, what do you need to change?

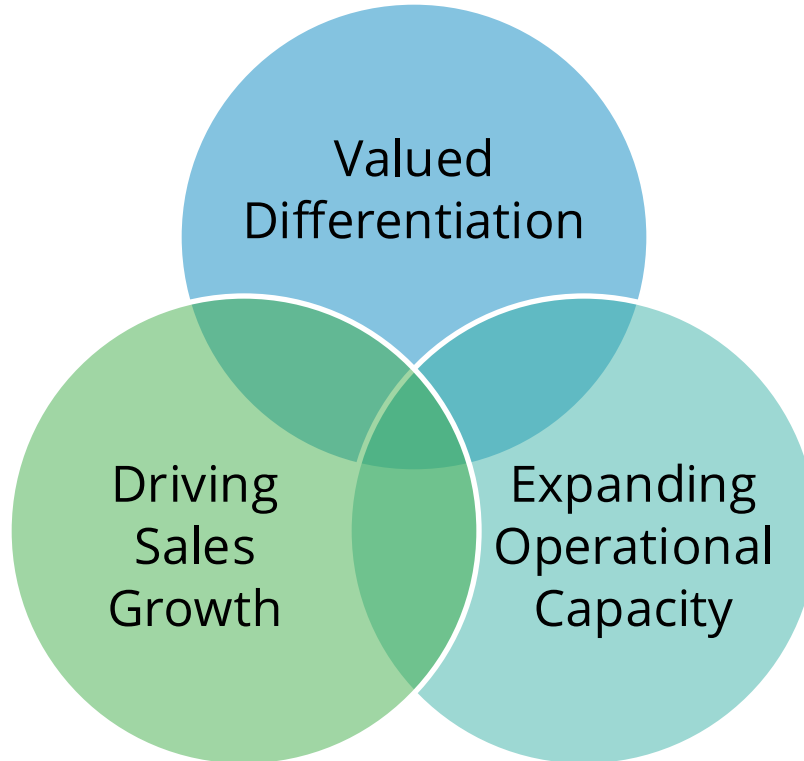
What is Scaling?

- Growth in revenues?
- Growth in employees?
- Growth in complexity?
- Growth in profits?
- Growth in valuation?

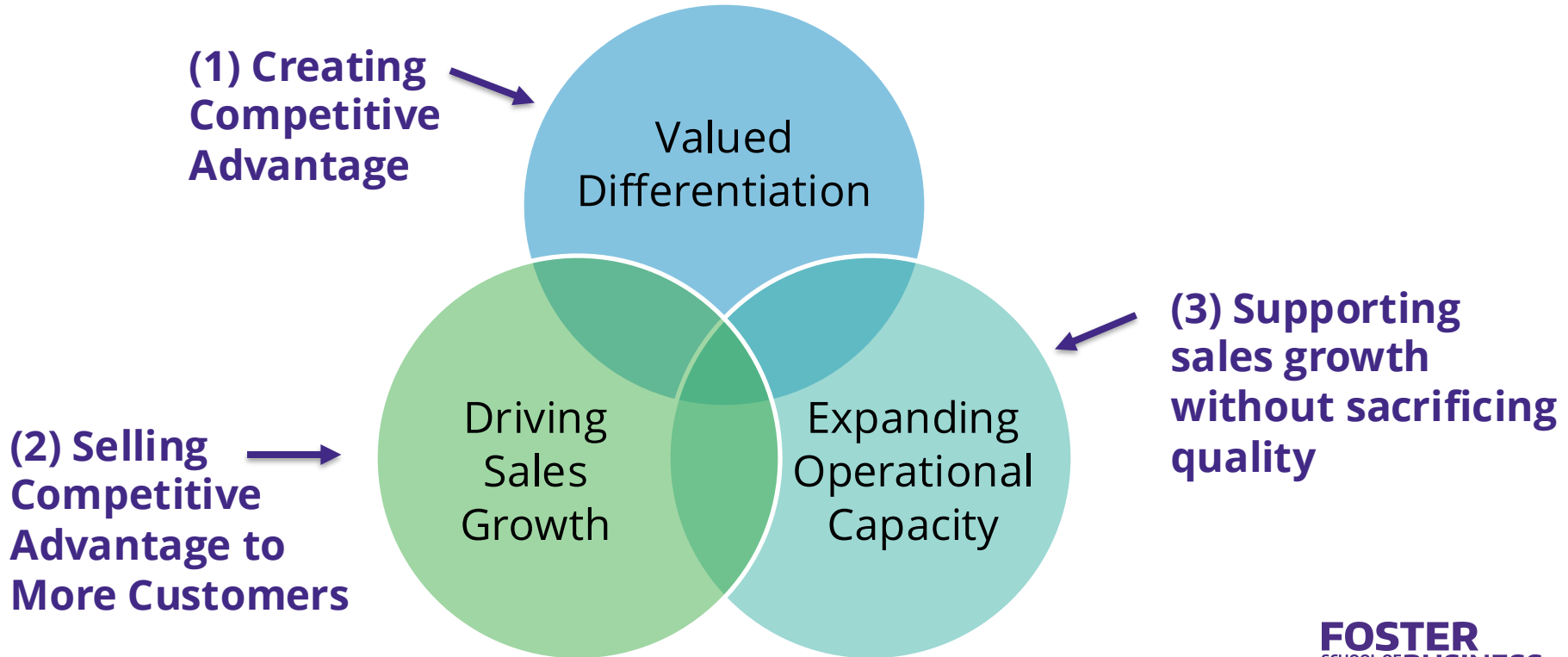
Idea 1:

Scaling is growing a business in a way that increases revenue *and* profits, while preserving long-term quality

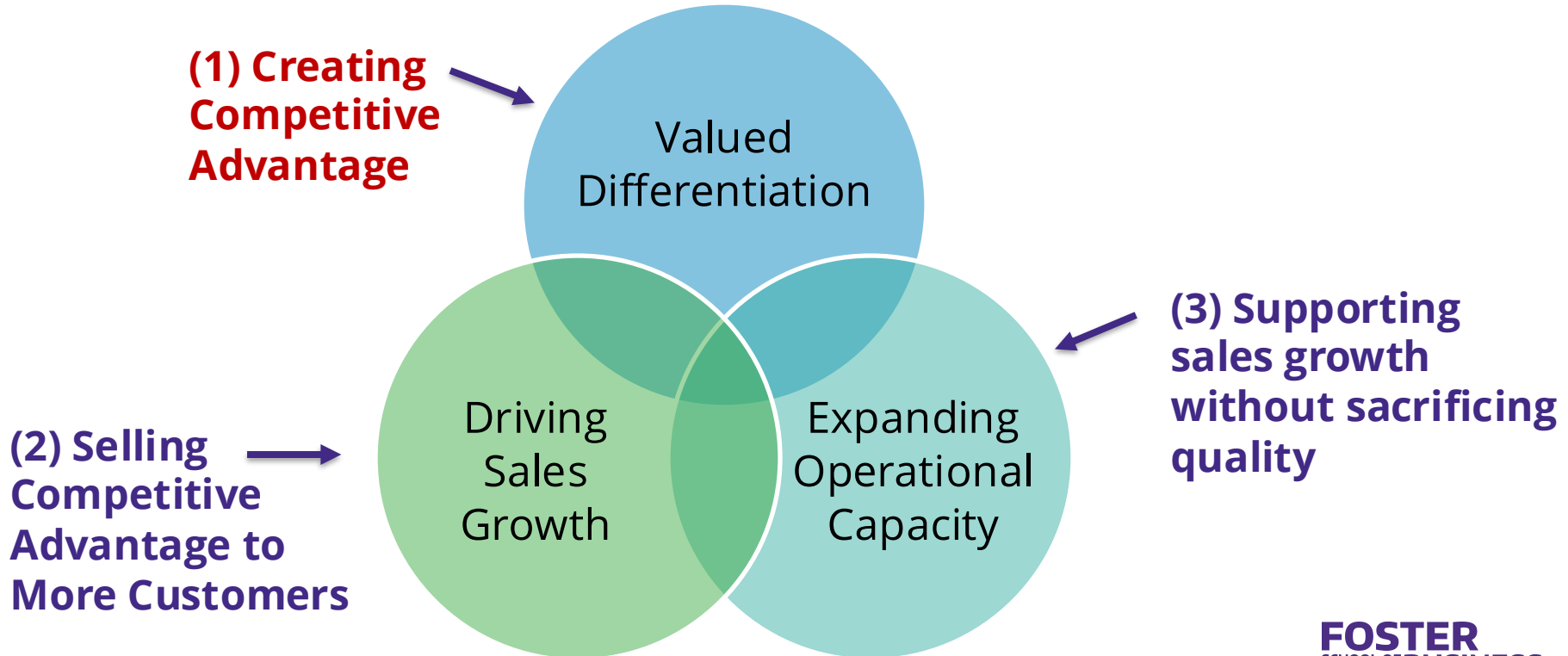
3 Drivers of Scaling



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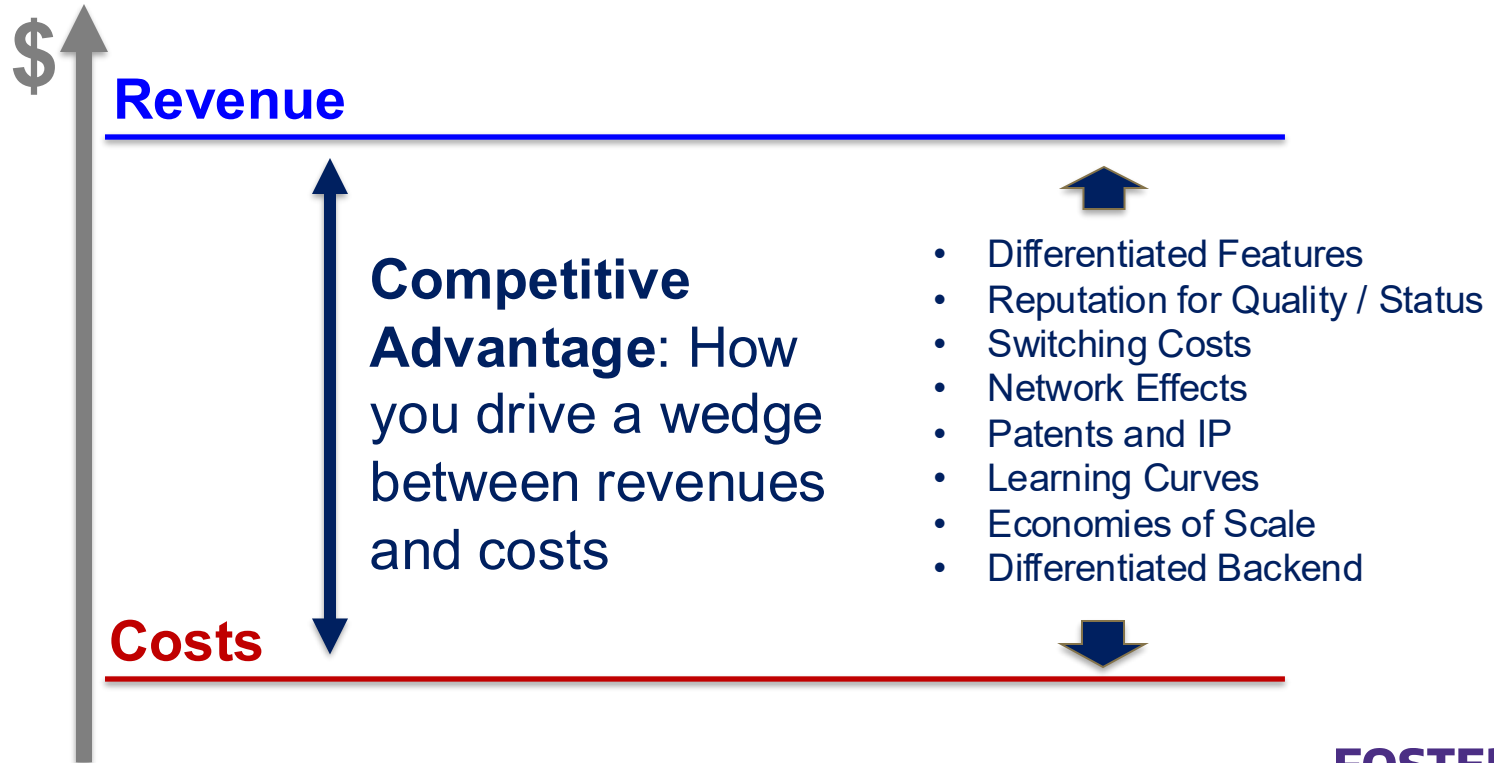
Idea 2:

Scaling is accelerated by **competitive advantages** that increase profitability and provide capital for growth.

3 Questions for Any Competitive Advantage

- **Valuable?** Are customers willing to pay more or does it meaningfully drive down costs?
- **Rare?** Do rivals lack the advantage? Can range from truly unique to a few rivals offer to many competitors offer.
- **Inimitable?** To what extent will rivals be able to copy or develop substitute advantages over time? How long will it take? *(Makes a competitive advantage sustainable)*

Competitive Advantages (Wedges)

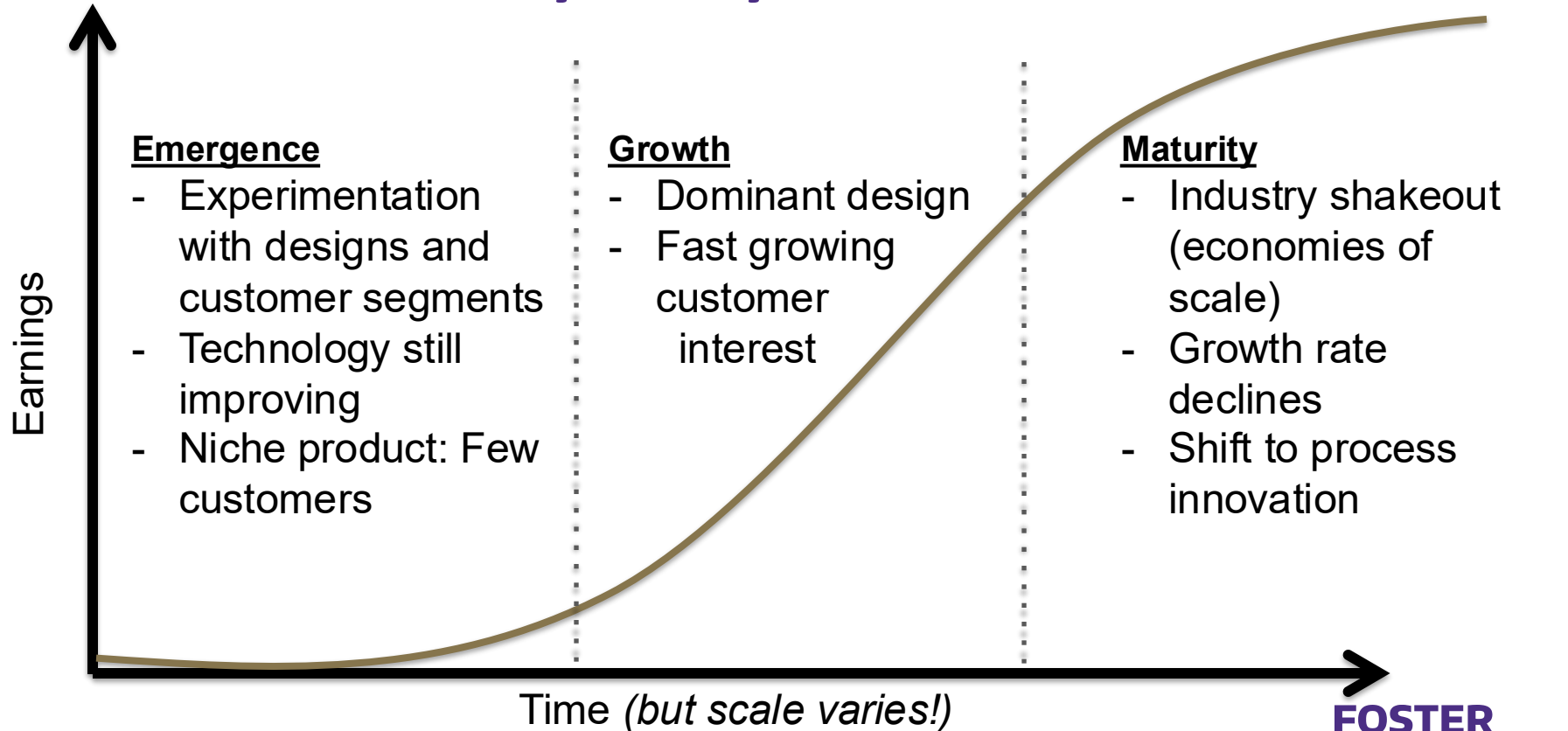


Sustainable Competitive Advantages

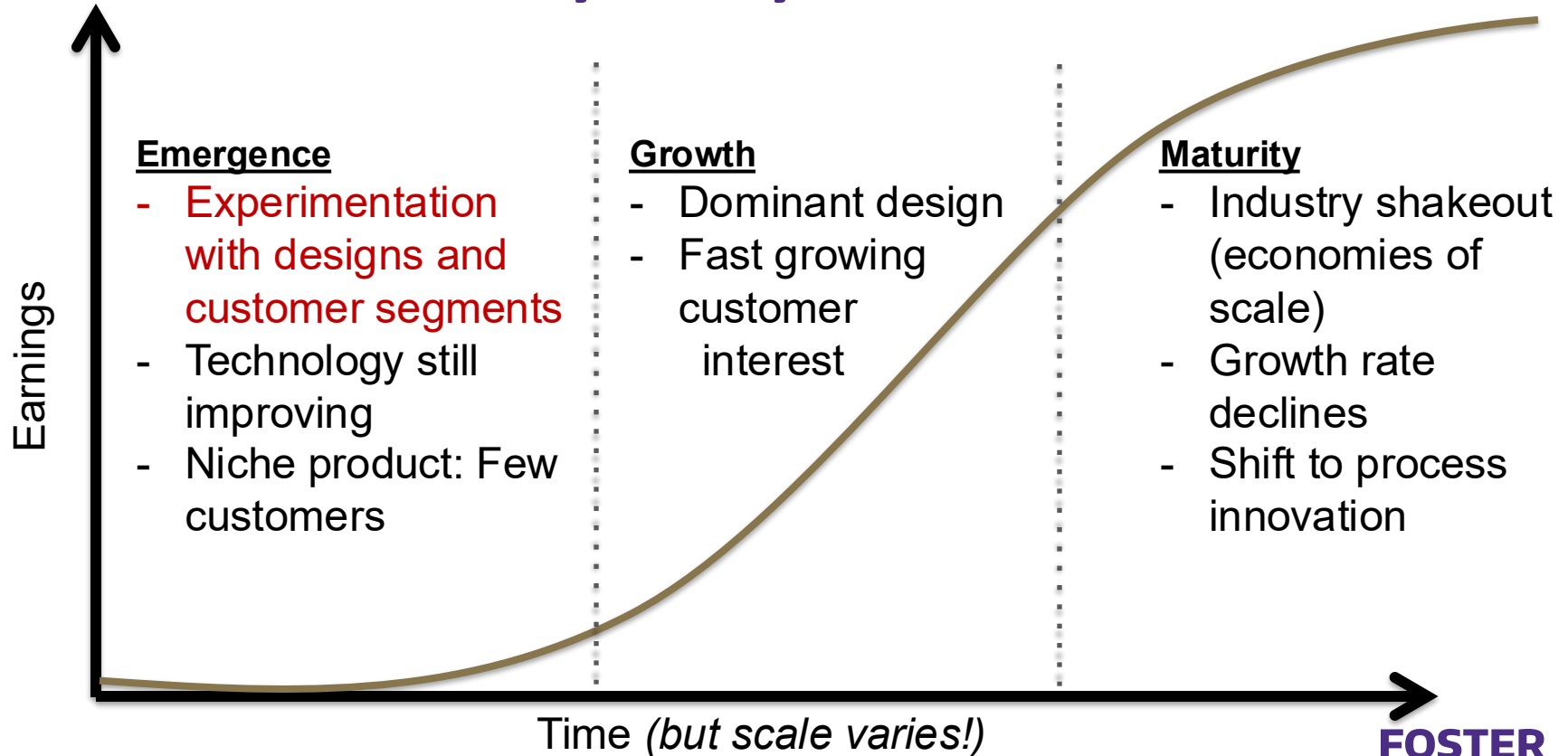


Industry Dynamics and Competitive Advantage

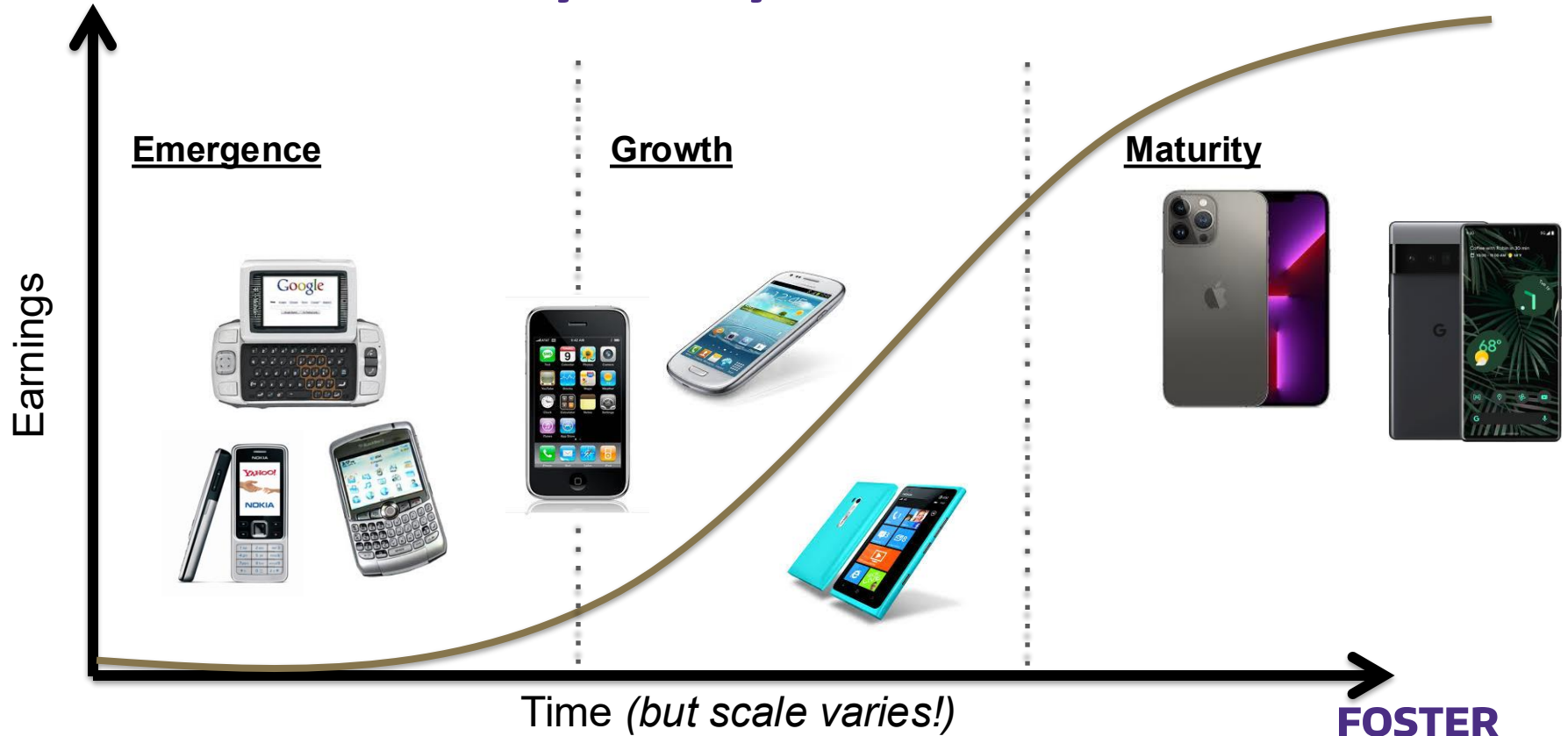
Common Industry Lifecycle



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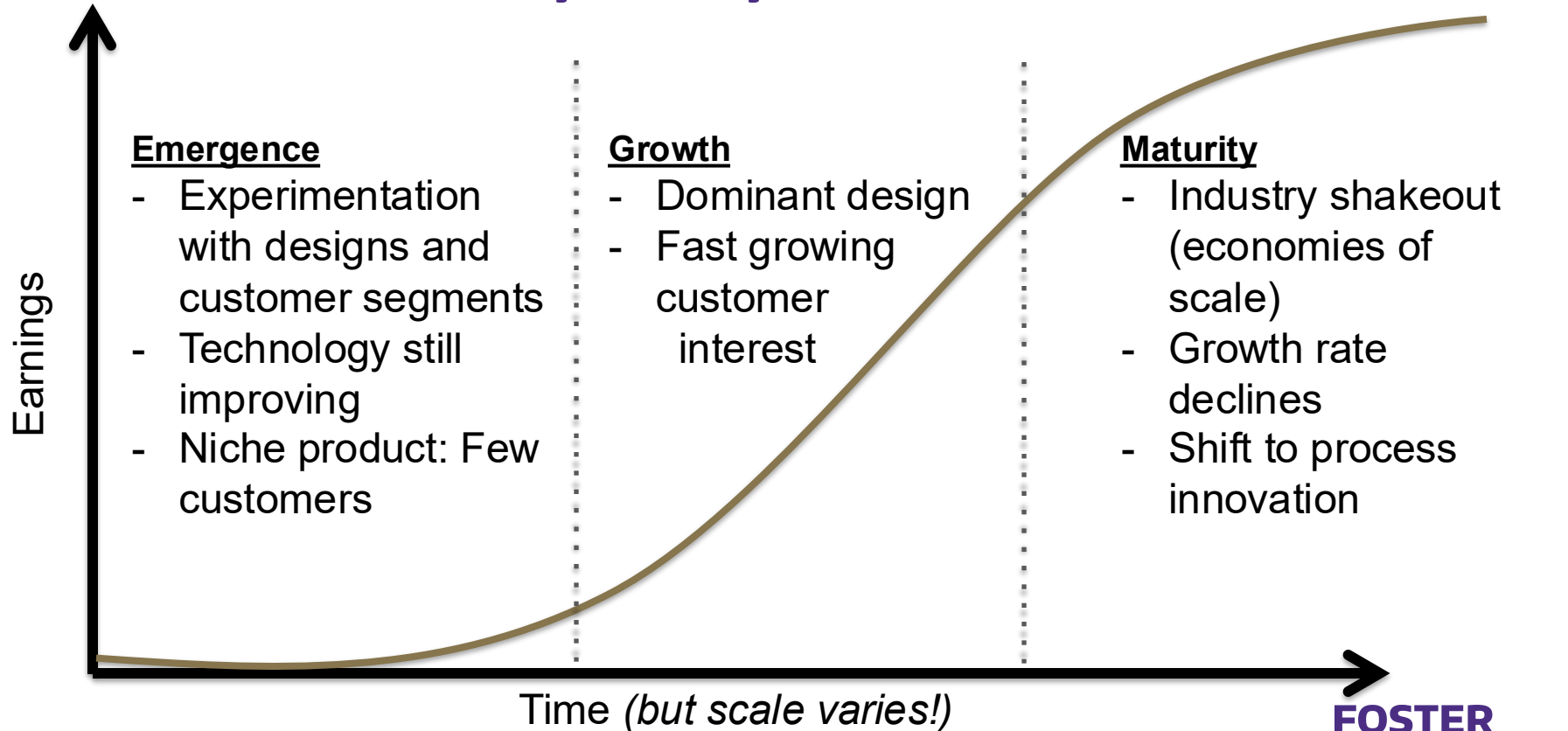
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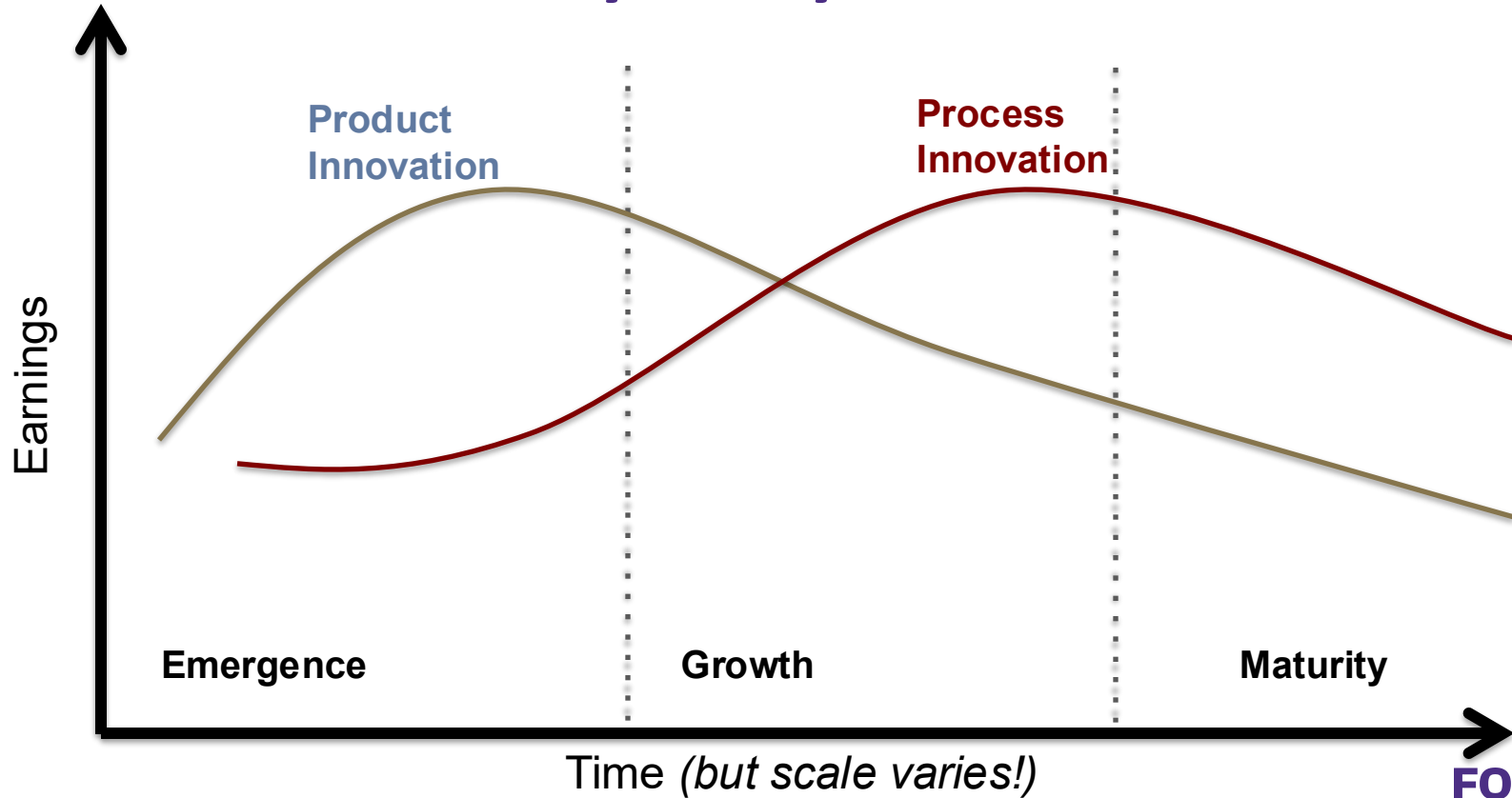
Some Industries Never Take Off – Or Exploration Phase Really Long



Common Industry Lifecycle



Common Industry Lifecycle



Idea 3:

The nature of competitive advantage often looks different based on industry stage.

- Early on more about *product differentiation*
- Later on more about *process differentiation*

Pause and Plan

- Who are you competing with for customers?
- What are your firm's competitive advantages? Are they product or process advantages?
- Do they allow you to charge more? Lower costs? Both?
- Are these competitive advantages under threat? Are there new competitive advantages you could create?

**A further thought to consider for
our discussion today . . .**

Idea 4: Scaling requires tradeoffs and personal growth of leaders / owners. *Decide if it is what you want.*

CASE PART I: SCALING TO \$15M

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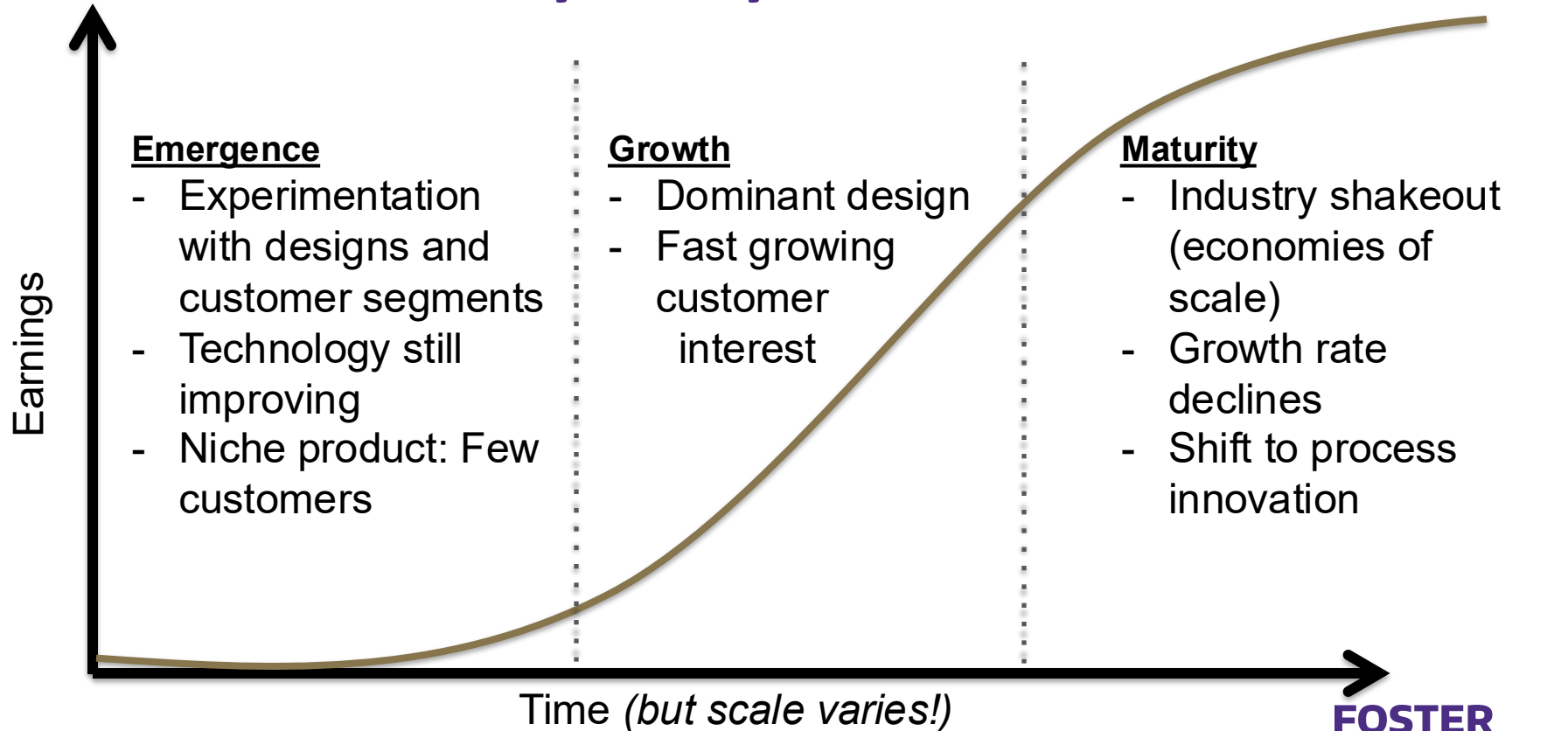
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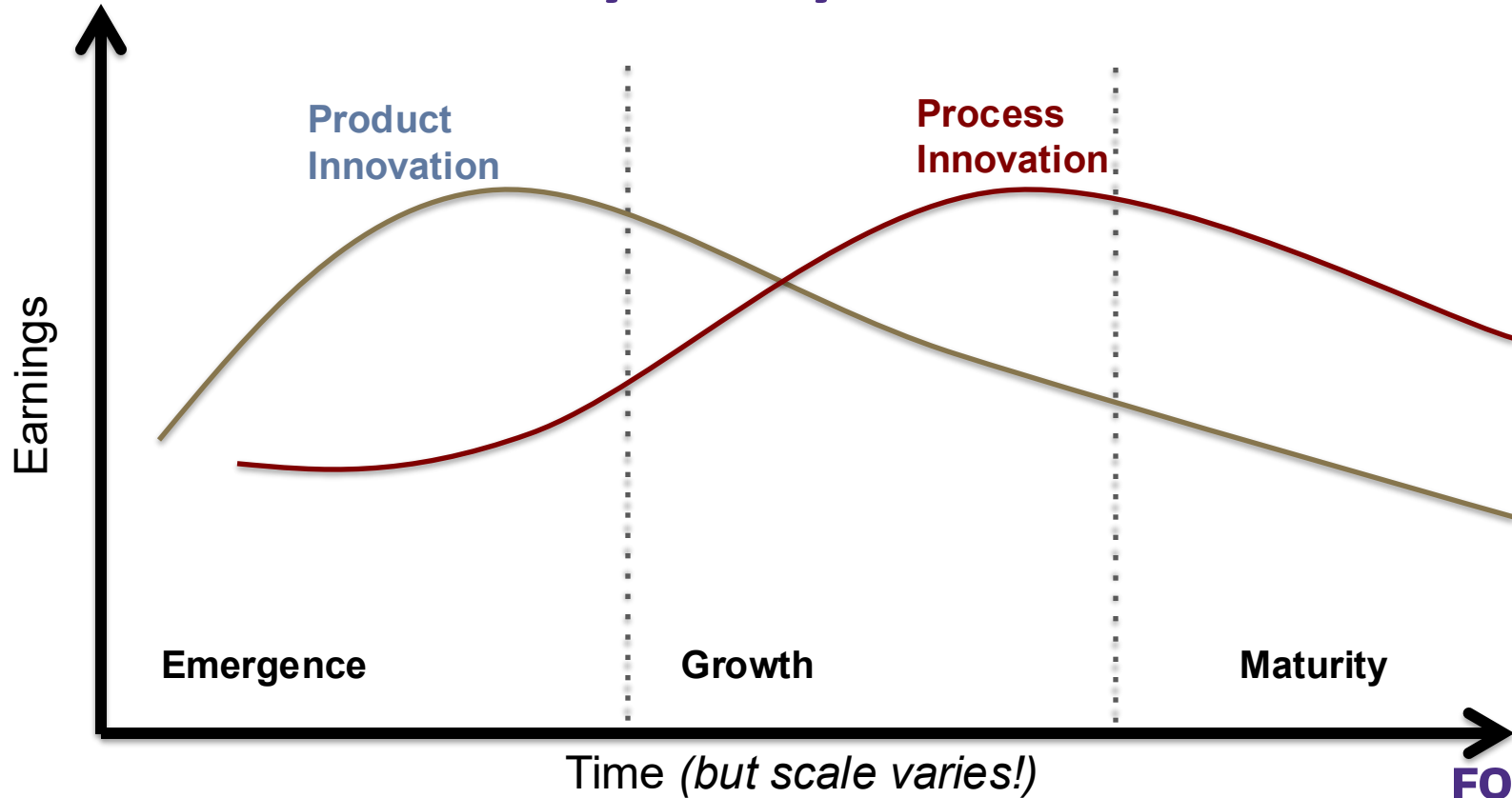
Discuss in Pairs

- What does INPAX do?
- How mature is the industry during the case? Does the industry evolve during the case?
- What are points of differentiation in the industry? Possible sources of competitive advantage?

Common Industry Lifecycle



Common Industry Lifecycle

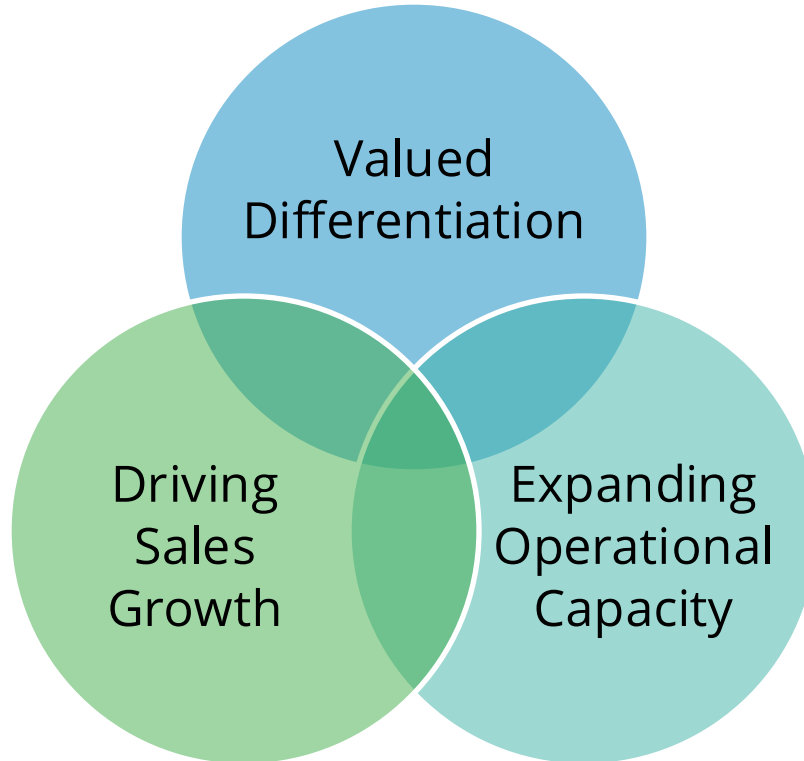


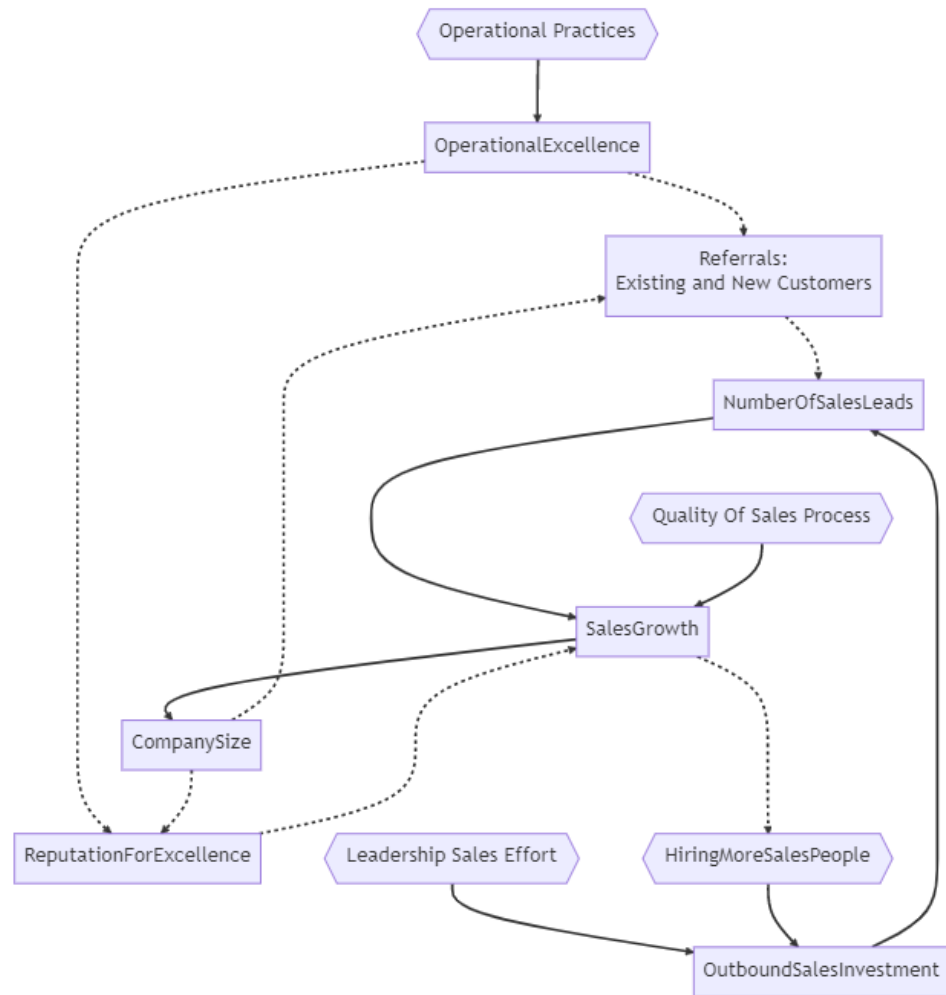
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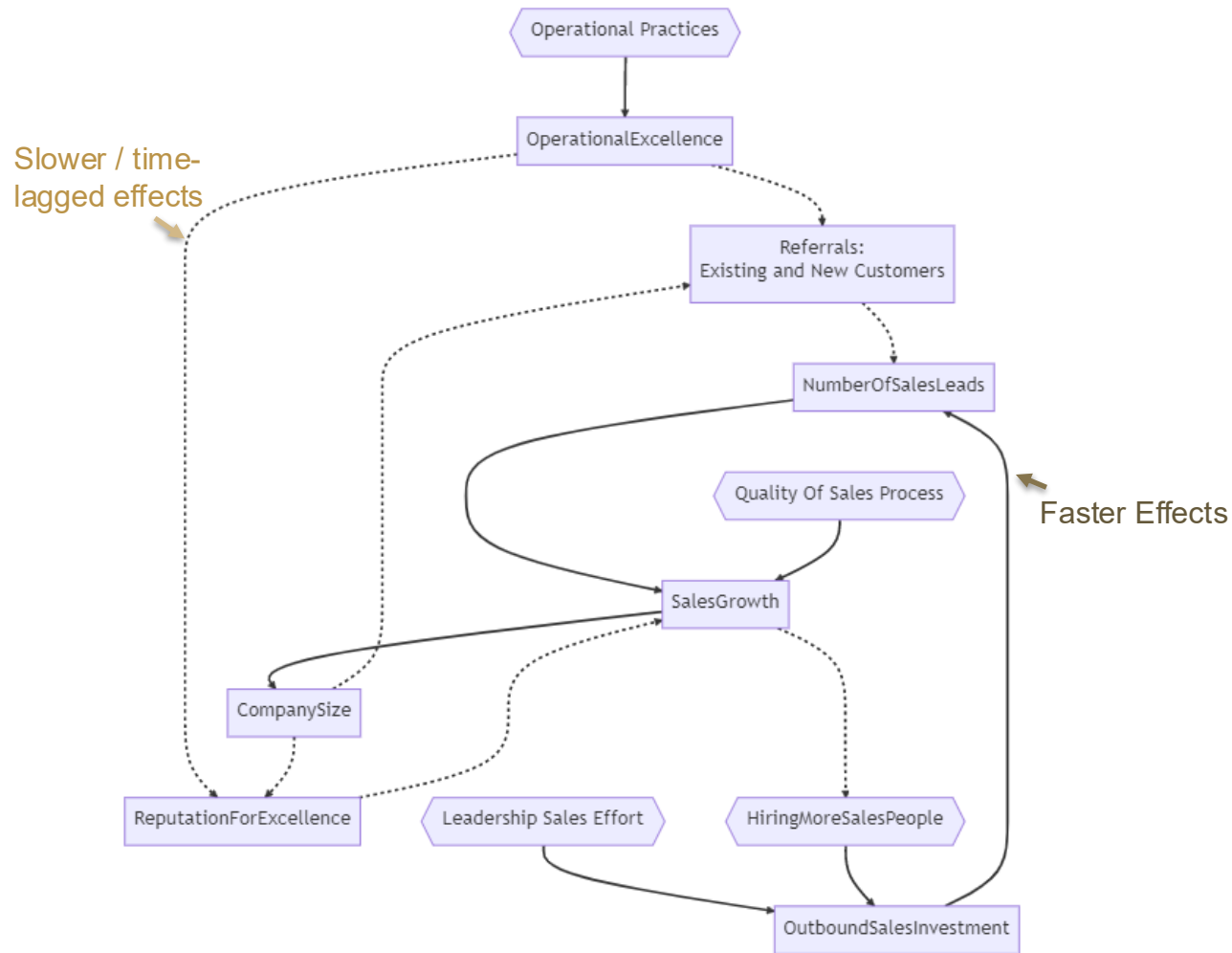
- During the case, Leonard successfully grew the business not once but twice!
- What was behind Leonard driving this successful growth?
- Similarities and differences from your growth?

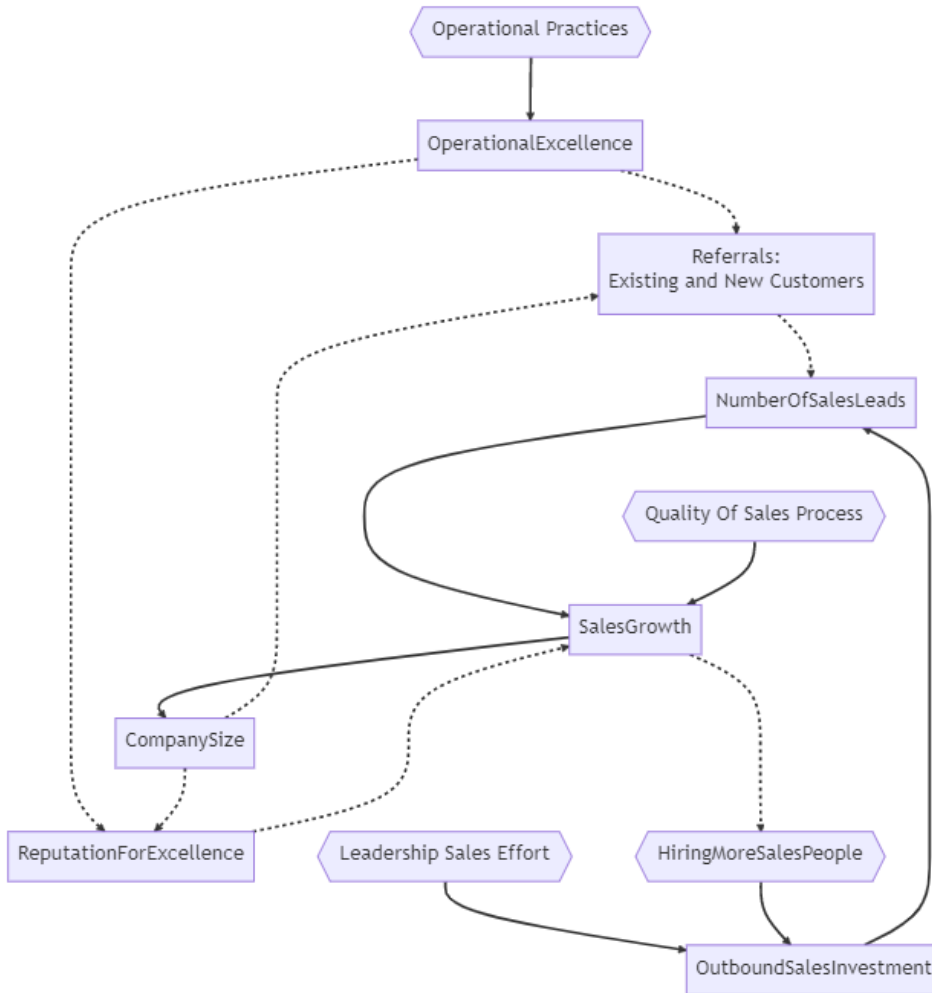
Leonard's Strategic Growth Map

3 Drivers of Scaling

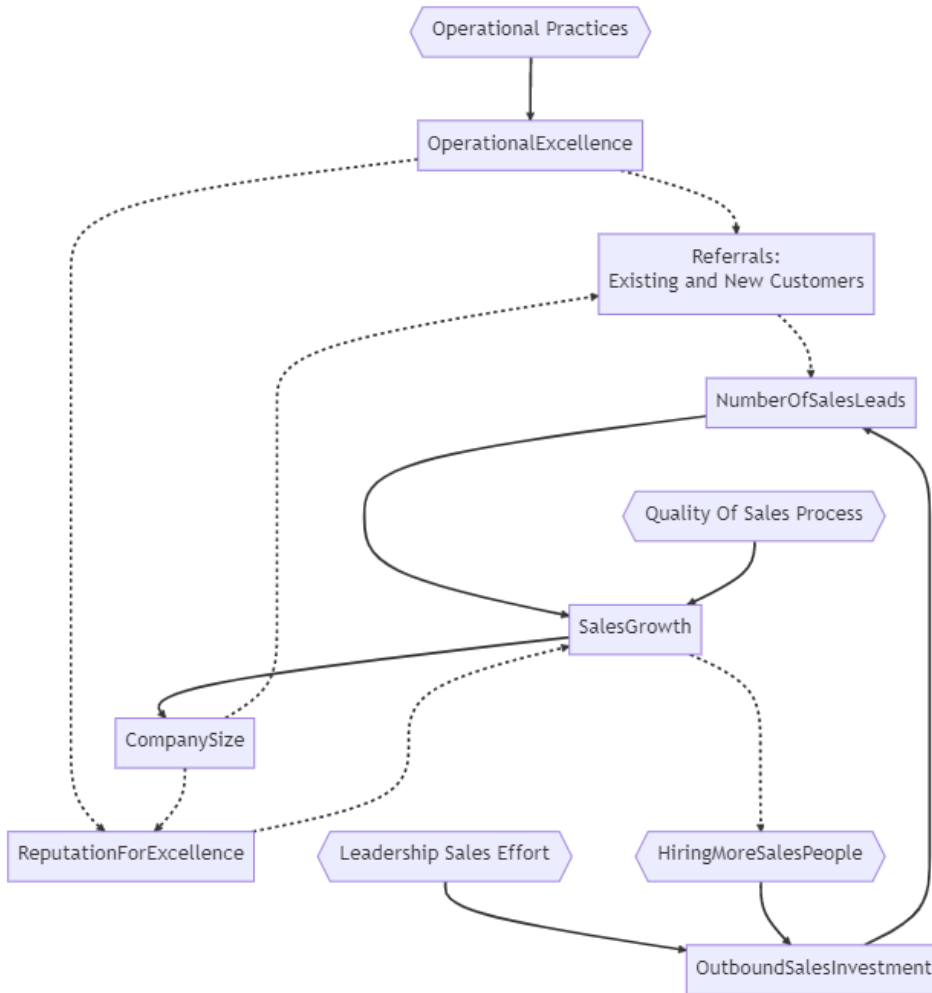




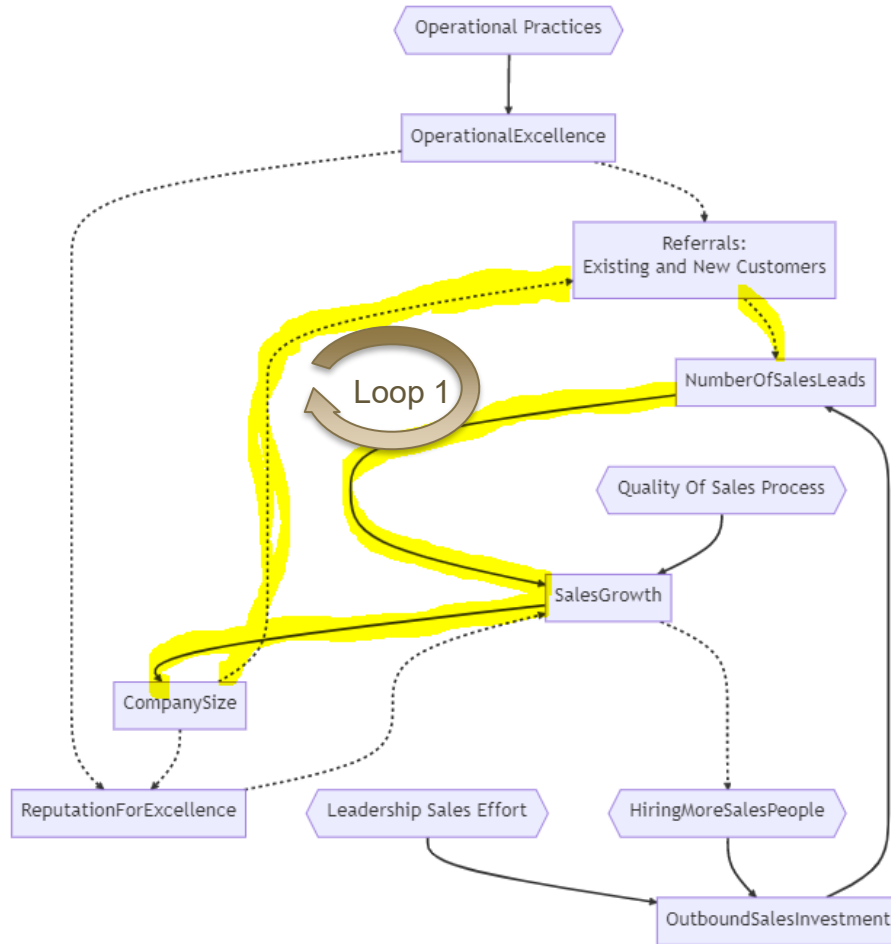




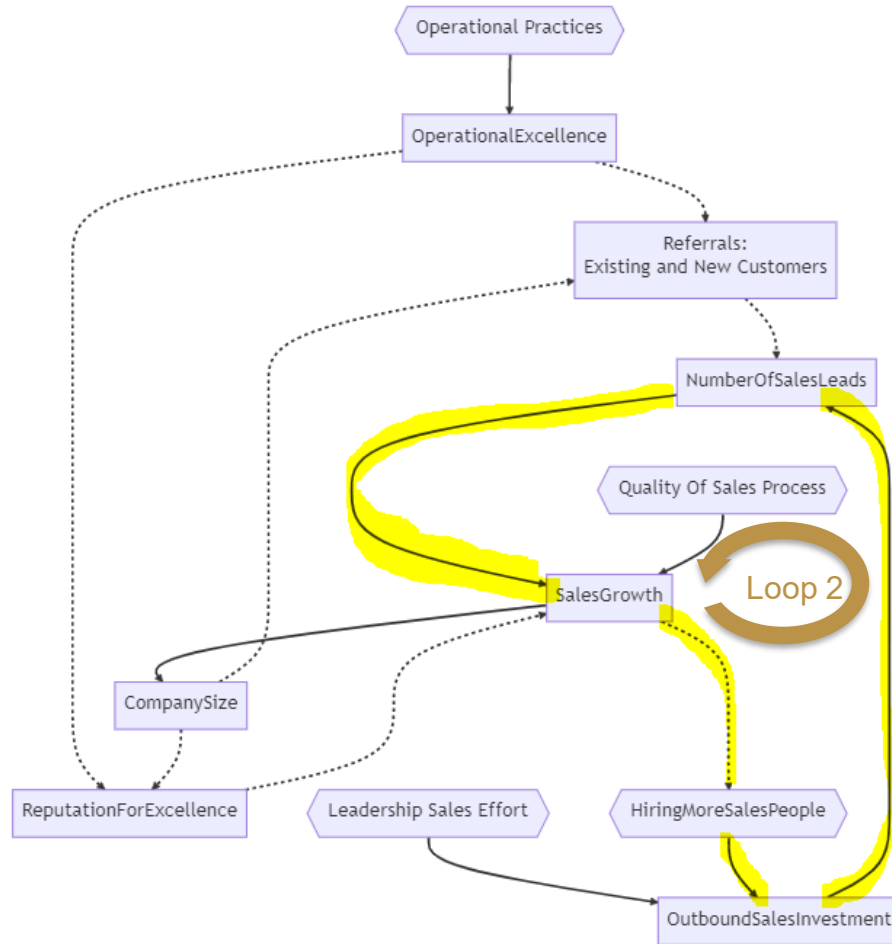
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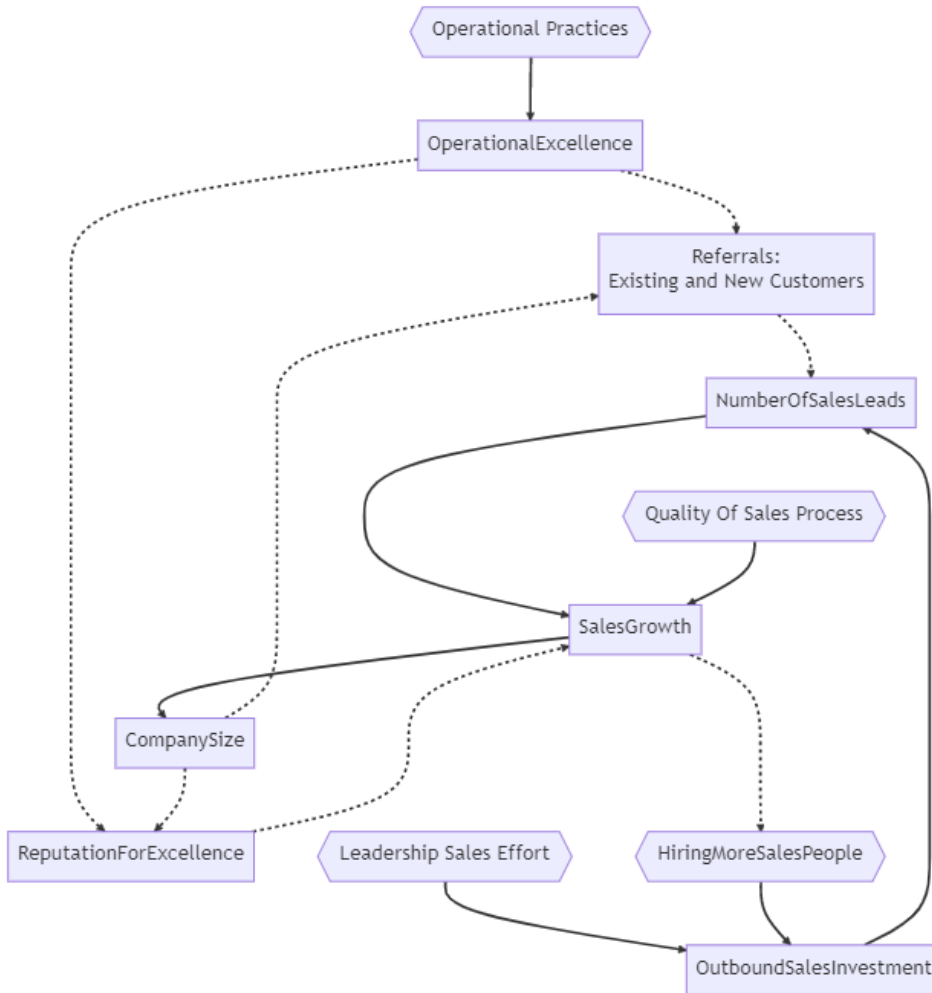
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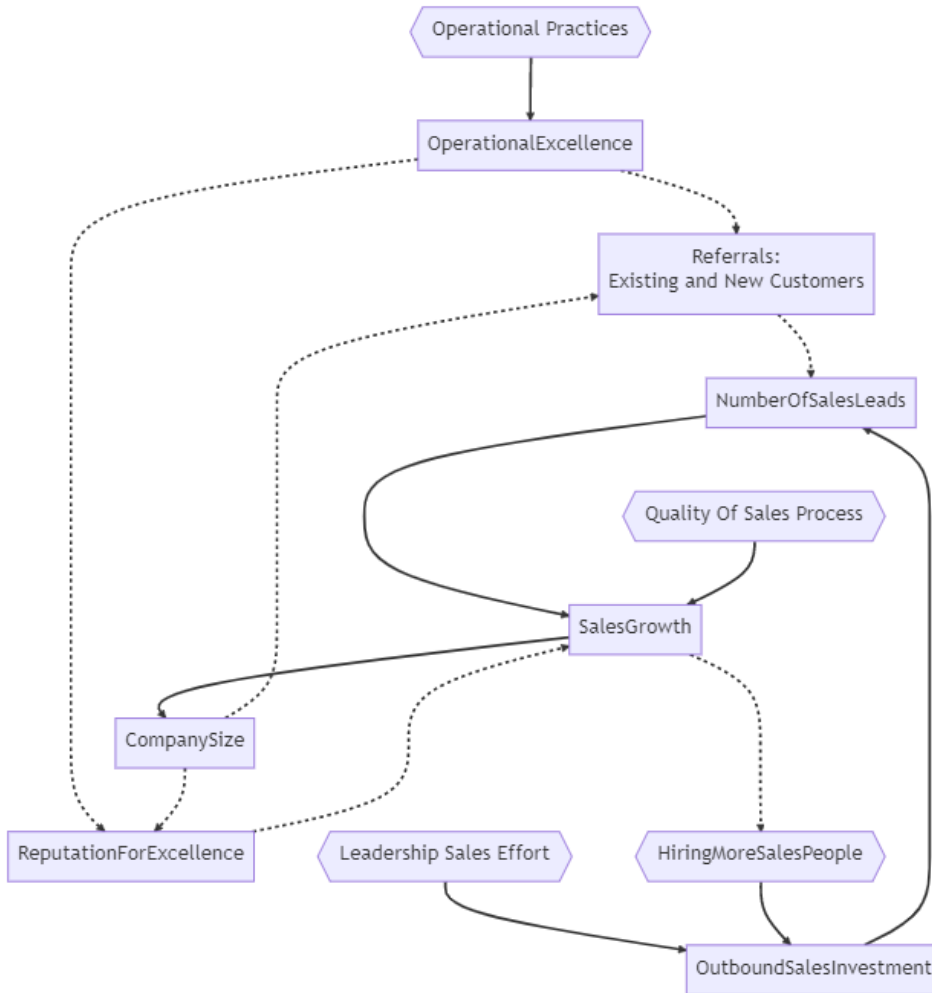
Idea 5: “Loops” create **accumulative advantages** that compound over time and build customers, capital, and reputation

(Corollary: but they can also limit rate of growth)

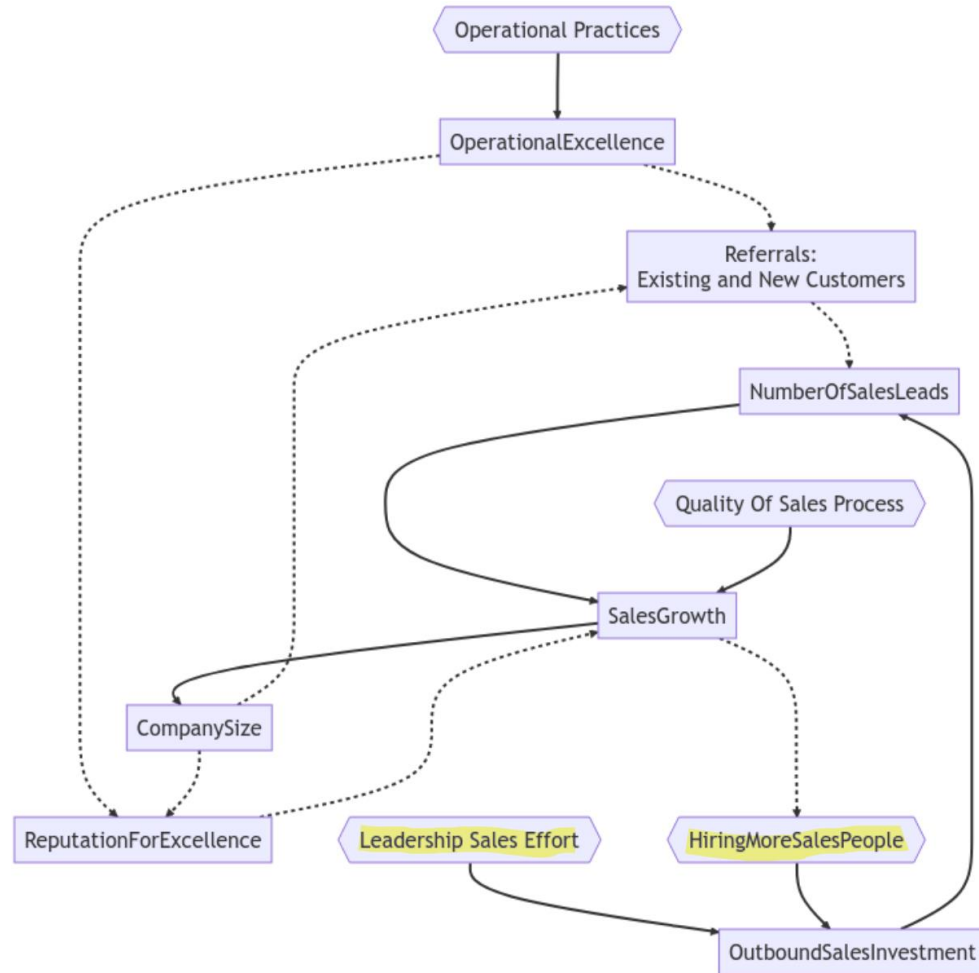


- Any loops?
- **What benefits from process improvements?**
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Idea 6: The right **processes** setup scaling by making it easier to hand off tasks and reliably achieve key outcomes



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Idea 7: Growth requires periodic **courageous leaps** where you sacrifice / investment in the *hope* that this yields desired outcome

Discuss in Pairs

- How did Leonard drive **sales growth** in the case?
- How did he drive **operational excellence**?
- Similarities and differences from your experience?
What challenges have you encountered in these areas?

Driving B2B Sales Growth

Takeaways on B2B Sales

- B2B sales is a high-effort, low-yield activity
- But outbound effort often absolutely critical for B2B offerings
- Often seeking to find a playbook you can give to others

Structuring a B2B Sales Process

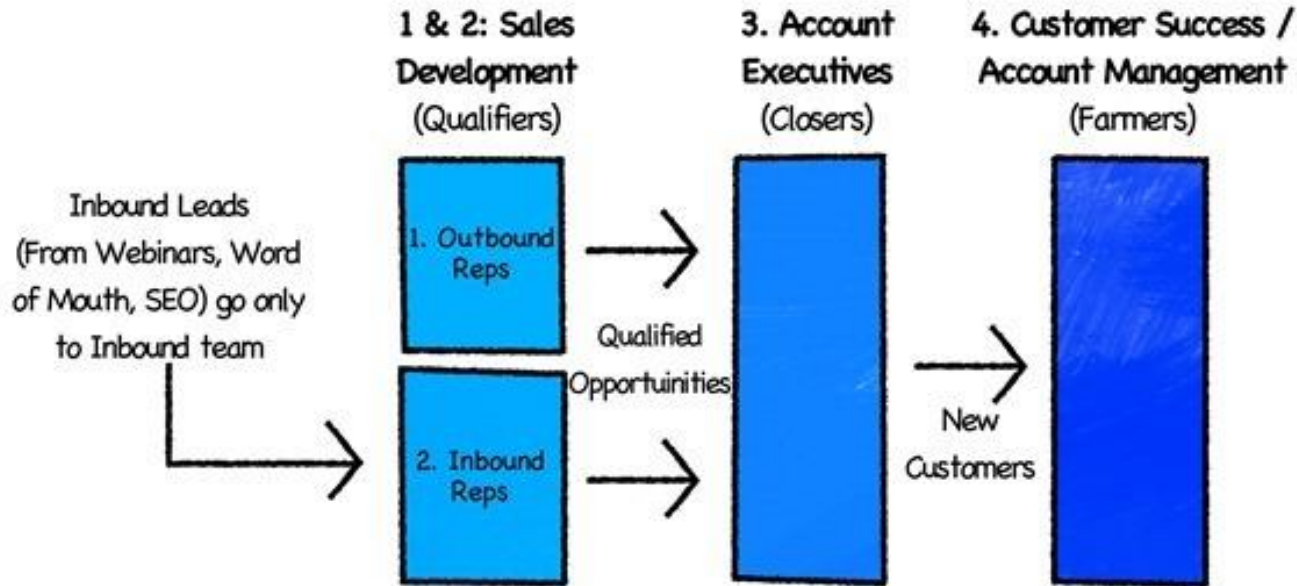
- Craft a playbook that works for you (this includes who to target and how)
- Begin to track your own time for each close to get a sense of customer acquisition costs
- Figure out if playbook replicates and works for other people; this often takes iteration

Structuring a B2B Sales Org

- Sales orgs often high-turnover, in part by new sales people not hitting quotas
- May take time to figure out right sales profile for your business
- Figure out incentive system (base vs comp)

Consider Role Specialization

Specialize Your Four Core Sales Roles



Sales & Courageous Leaps

- Hiring early sales people or sales managers often **courageous leap**
- Many of the costs upfront: salary, benefits, time
- Hope will payoff later
- Sales support staff often need to be hired before utilize 100% of their time

Driving Operational Excellence

Operational Excellence

- Generally rests on doing many small things right
- Any single thing easy to copy, but hard to copy the collective system
- Takes relentless dedication and effort from leadership; have to lead by example

Aim for Processes

- Process – a documented system that can be followed by others to reliably produce a focal outcome
- Sometimes extremely detailed *routines*; sometimes *simple rules*
- See what you can learn from others (mentors, via hires, via consultants, etc) – though some adaptation often needed
- Generally take experimentation to get right

Variety of Systems

- Big Co: Lean manufacturing, Total Quality Management, Six Sigma
- Small Business: Great Game of Business, EOS (Entrepreneurial Operation System)
- Which system less important than having a system

Consider Role of Software

- Automate routine tasks
- Improve visibility into key performance indicators
- *Modern AI: Lowering the cost of custom software, but also risks fragility*

Managing by Objectives vs Experiments

	Management by Objectives	Management by Experiments
<i>Success is</i>	Achieving sales or profit goals	Efficient testing
<i>Unpredictability</i>	To be eliminated beforehand or through hard work	To be explored
<i>Focus in planning on</i>	Objectives	Hypotheses and tests
<i>Median expected outcome</i>	Achieving sales or profit goals	Tests indicate not an opportunity
<i>Ideal project</i>	Attractive median ROI	Asymmetric bet – small chance of large potential gains relative to costs

The Personal Side of Scaling

The Personal Side of Scaling

- How did Leonard need to grow as a leader? How have you needed to grow?
- What sacrifices and trade-offs were there for his journey? Your journey?

Navigating a Recession

Discuss in Pairs

- What is going on in 2008?
- What is your experience with economic downturns?
- How should Leonard navigate the situation?

CASE PART II: SCALING TO \$75M

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Case II

Consider (Then Discuss)

- Lessons on navigating a recession?
- How was Leonard's playbook for rebuilding to \$10M similar than before? Different?

Navigating a Recession

Navigating a Recession

- Retreat – either suddenly (if losing money) or gradually (if cash cow)
- Refocus – focus on what makes you great and will scale later
- Rebuild – rebuild around the refocused core. Often around existing accounts

Rebuilding

Discuss in Pairs

- How does the B case illustrate (or not) the growth principles we discussed in the morning?
- Further lessons on building capabilities for B2B sales or operational excellence?

E-Commerce Retailer Opportunity

Discuss in Pairs

- At the end of the B case, there is an opportunity to work with a “Major E-Commerce Retailer” on last-mile delivery
- Should INPAX do this? Risks involved? How to structure?

And the journey continues . . .

Building “sellability” in your business . . .

Idea: Many buyers aim to purchase a *recurring cash-flow stream*.

They value (a) predictability and (b) business being able to run autonomously

Valuing Small to Mid-Size Companies

- 3-8X **EBITDA multiples** common
- Multiple increases with:
 - Higher EBITDA (multiple expansion)
 - Growth
 - Less concentrated customer base
 - Stronger competitive moats
 - Stronger non-owner management
 - Higher margins

The Buyer Landscape

Who's Buying at Different EBITDA Levels

EBITDA Range	Multiple Range	Company Valuation	Primary Buyer Types
\$5M - \$10M	5x - 8x	\$25M - \$80M	Lower Middle Market PE, Regional PE Firms, Strategic Buyers / Competitors (platform plays)
\$3M - \$5M	4.5x - 7x	\$13.5M - \$35M	Small PE Funds, Family Offices, Strategic Buyers / Competitors (bolt-ons), Independent Sponsors
\$1.5M - \$3M	3.5x - 6x	\$5.25M - \$18M	Search Fund Buyers, Family Offices, Strategic Buyers / Competitors
\$500K - \$1.5M	3x - 5x	\$1.5M - \$7.5M	Individual Buyers (SBA), Search Fund Buyers, Strategic Buyers / Competitors
Under \$500K	2x - 4x	Under \$2M	Individual Buyers (SBA), Employees/Management, Strategic Buyers / Competitors



SEARCH FUND LENDING



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Contact Loan Specialist

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Trilogy invests in leaders with distinctive backgrounds, who have the entrepreneurial drive, demonstrated leadership skills, and commercial aptitude to achieve their dream of owning and growing a successful business.



Cerbo

Propelling Growth, Building Value.

Accelerating Growth Across the Pacific Northwest

Partner With Us

Creating “Sellability” in Advance

- Document & systematize operations
- Create processes and employees that don't depend on you
- Clean up financials early - 2-3 years of clean books, separate personal/business expenses
- Diversify customer base – Buyers prefer no single customer >15-20% of revenue

Red Flags for Some (Many?) Buyers

- Declining revenue trends
- Owner is the business
- Customer concentration (>30% from one customer)
- Messy books or tax issues

FOR TOMORROW

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Building Your Scaling Plan

- What are 2-4 changes you could make over next year to drive scaling?
- Consider:
 - How to drive sales growth?
 - How to expand operational excellence? Do you need
 - Any changes to offering?
 - Will the above take learning? Experimentation? Leader effort? Capital?

TAKEAWAYS

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Idea 1:

Scaling is growing a business in a way that increases revenue *and* profits, while preserving long-term quality

Idea 2:

Scaling is accelerated by **competitive advantages** that increase profitability and provide capital for growth.

3 Questions for Any Competitive Advantage

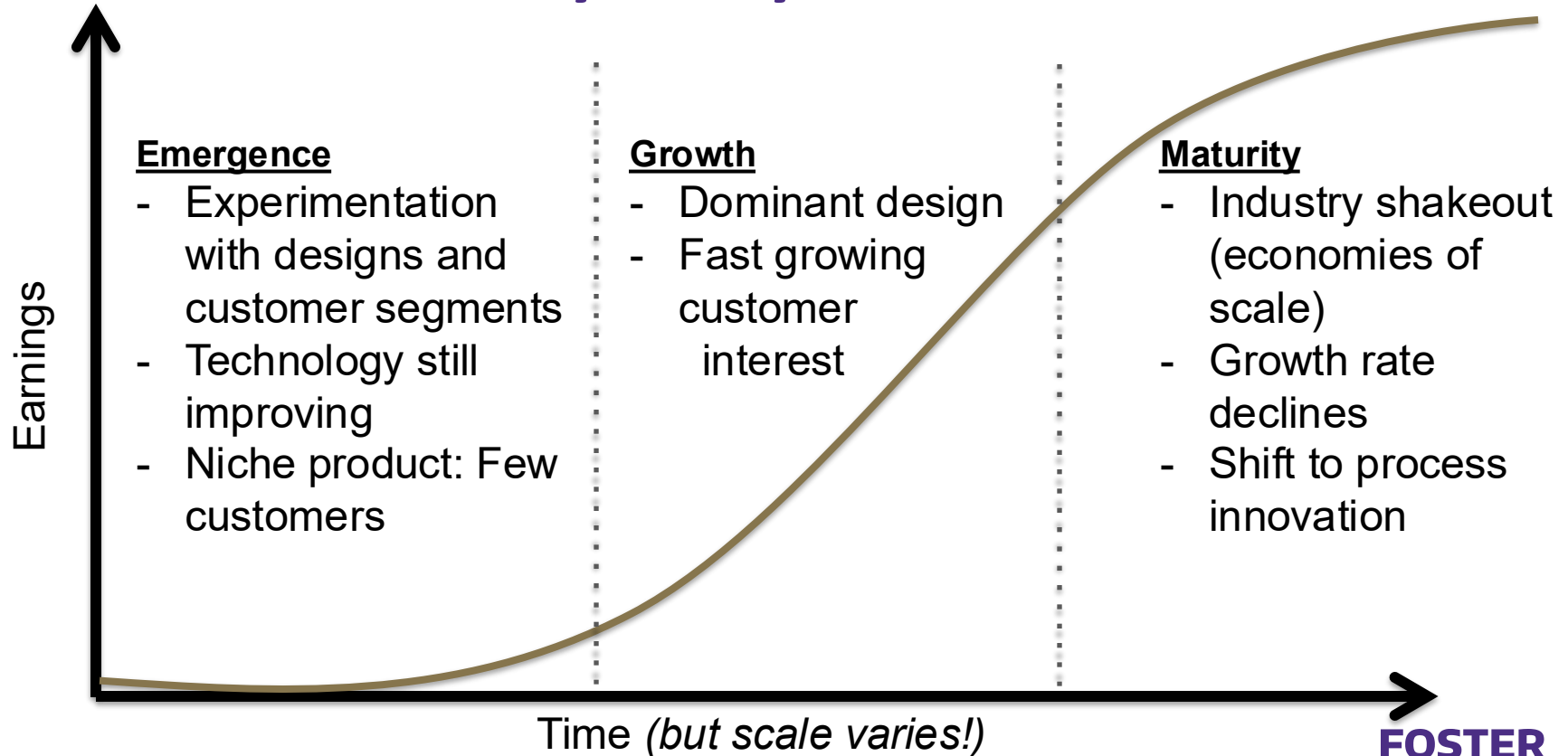
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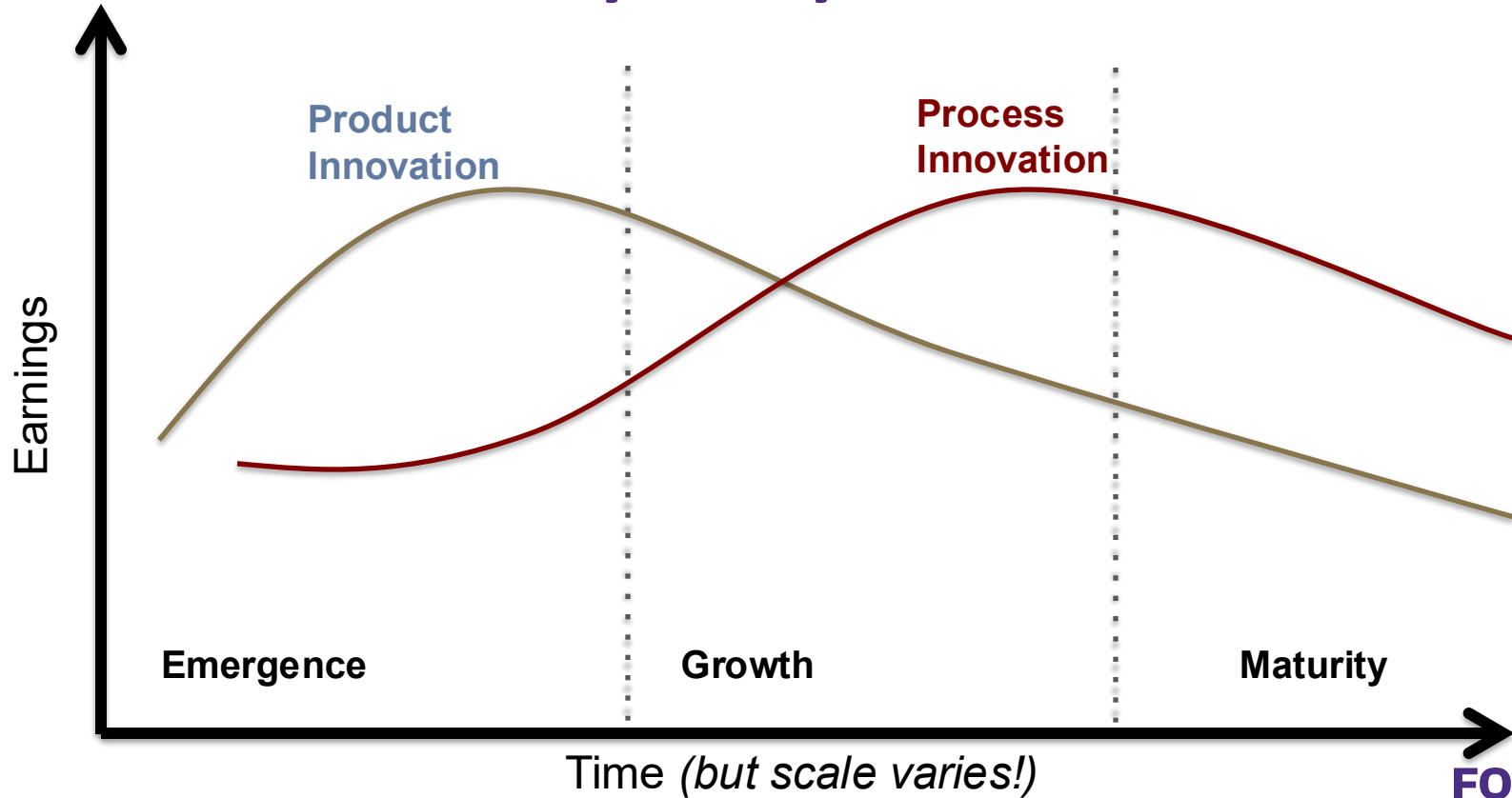
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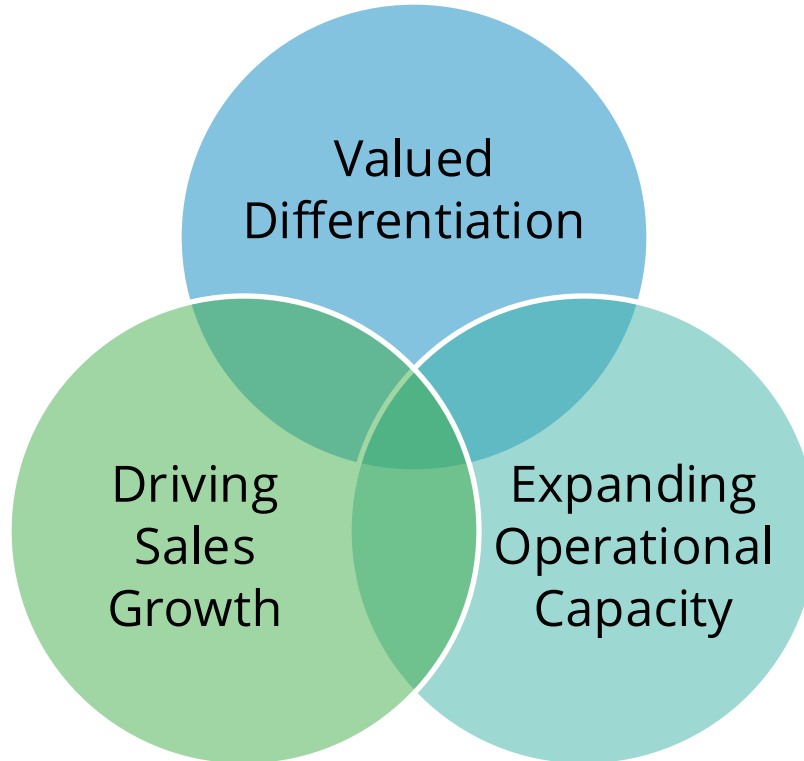


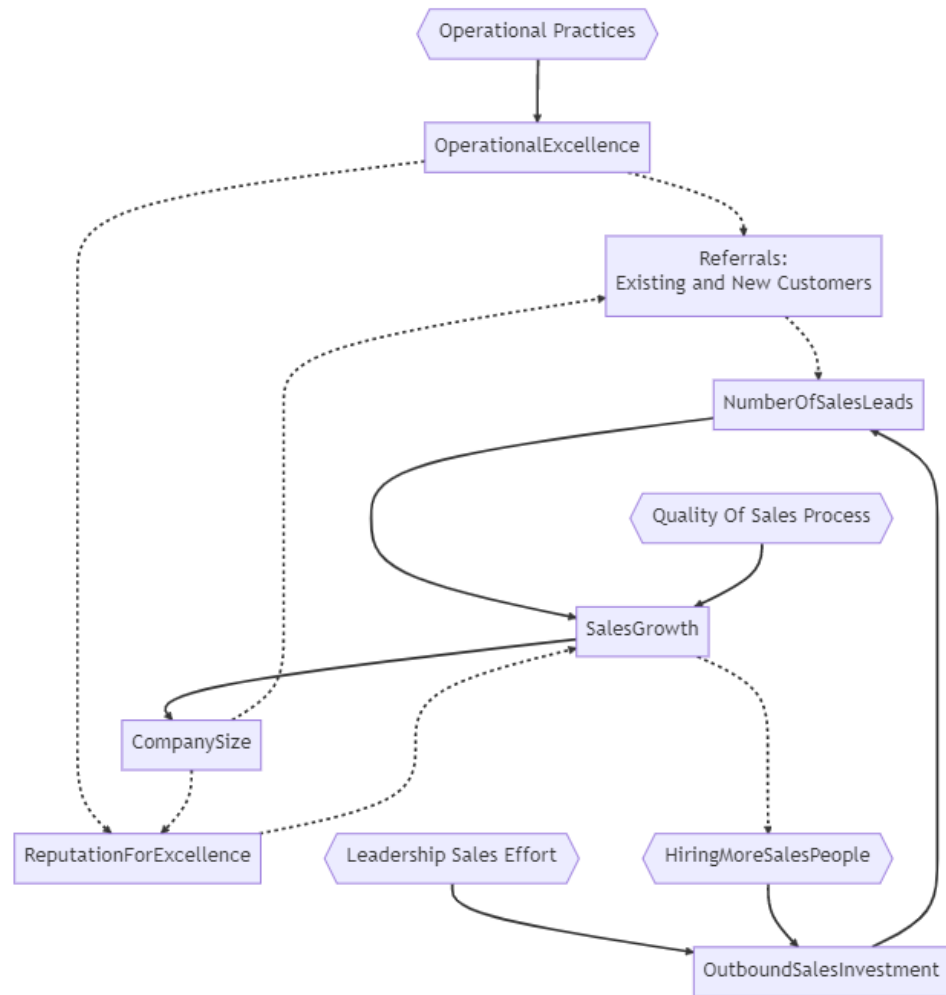
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Idea 4: Scaling requires tradeoffs and personal growth of leaders / owners. *Decide if it is what you want.*

3 Drivers of Scaling





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Thank you!
bhallen@uw.edu

THANK YOU