

Ascend National: Strategic Foundations of Driving Growth

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Strategy and Entrepreneurship

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Discuss in Pairs

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

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Today's Learning Goals

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

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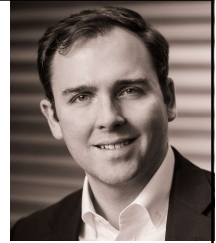
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Today's Case: Leonard Wright and Scaling in the Courier Industry

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About Me



Ben Hallen — Hughes M. Blake Professor of Strategy & Entrepreneurship, University of Washington

Former entrepreneur (CTO/CEO) | Stanford PhD in Engineering | Previously London Business School

Research and teach on how companies drive exceptional growth — from startups to established firms to SMBs

Former Associate Editor, Strategic Management Journal | Published in Harvard Business Review and leading strategy journals

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Harvard
Business
Review

Entrepreneurship | Scaling a Midsize Startup

Entrepreneurship

Scaling a Midsize Startup

by Benjamin Hallen and Ed Hallen

May 23, 2024

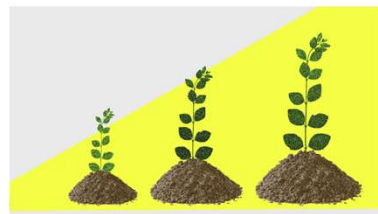


Illustration: iStock/Getty Images

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



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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

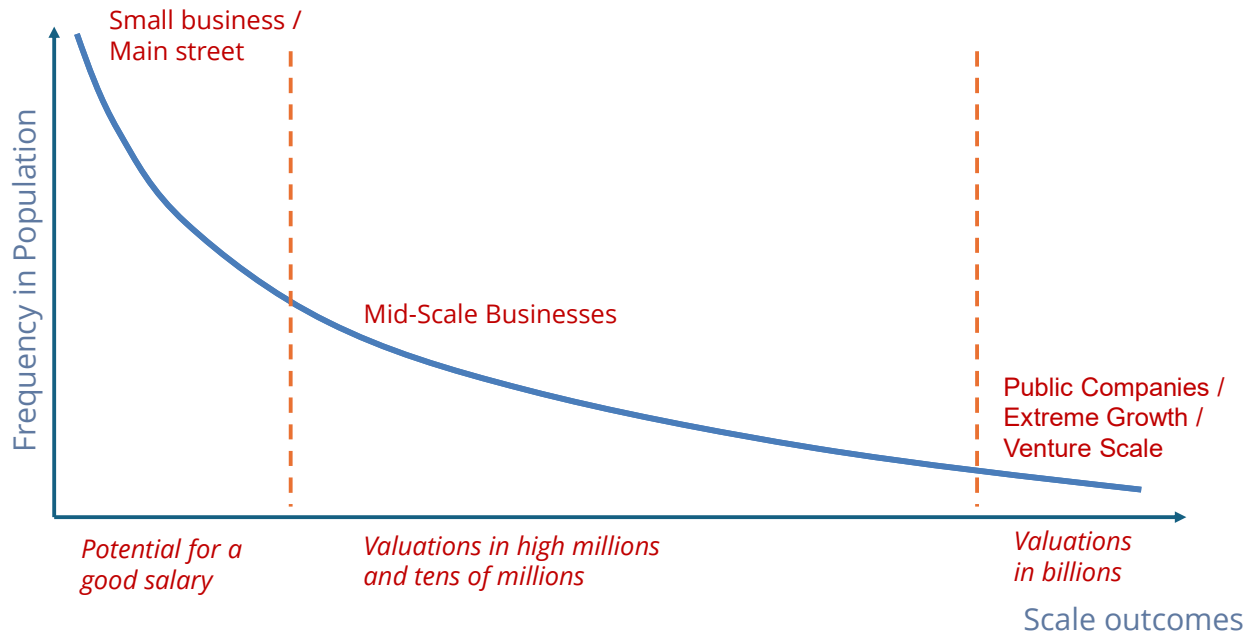


<https://hbr.org/2024/05/scaling-a-midsize-startup>

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“Power Law” Distribution of Business Scale



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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.

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Today's Agenda

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

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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?

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The Business Model Canvas

Designed for: _____ Designed by: _____ On: _____ Iteration: _____

Key Partners  Who are our Key Partners? Who are our key suppliers? Which Key Resources are we acquiring from partners? Which Key Activities do partners perform?	Key Activities  What Key Activities do our Value Propositions require? The Distribution Channels? Customer Relationships? Revenue Streams?	Value Propositions  What value do we deliver to the customer? Which one of our customer's problems are we helping to solve? What bundles of products and services are we offering to each Customer Segment? Which customer needs are we satisfying?	Customer Relationships  What type of relationship does each of our Customer Segments expect us to establish and maintain with them? What are our channels of distribution? How are they integrated with the rest of our business model? How costly are they?	Customer Segments  For whom are we creating value? Who are our most important customers? What are their needs? What are their pains? What are their gains?
Key Resources  What Key Resources do our Value Propositions require? The Distribution Channels? Customer Relationships? Revenue Streams?		Channels  Through which Channels do our Customer Segments want to be reached? How are we reaching them now? How can we reach them more efficiently? Which channels work best? Which ones are most cost-efficient? How are we integrating them with customer routines?		
Cost Structure  What are the most important costs inherent in our business model? Which Key Resources are most expensive? Which Key Activities are most expensive?		Revenue Streams  For what value are our customers really willing to pay? For what do they currently pay? How are they currently paying? How would they prefer to pay? How much does each Revenue Stream contribute to overall revenues?		

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Idea 1:

A firm grows when it combines:

- (a) repeatable mechanisms for obtaining more sales,
- (b) expanded operations to fulfill those sales, and
- (c) resources for doing this that are saved up, attracted, or adapted

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The Business Model Canvas

Designed for:

Designed by:

On:

Iteration:

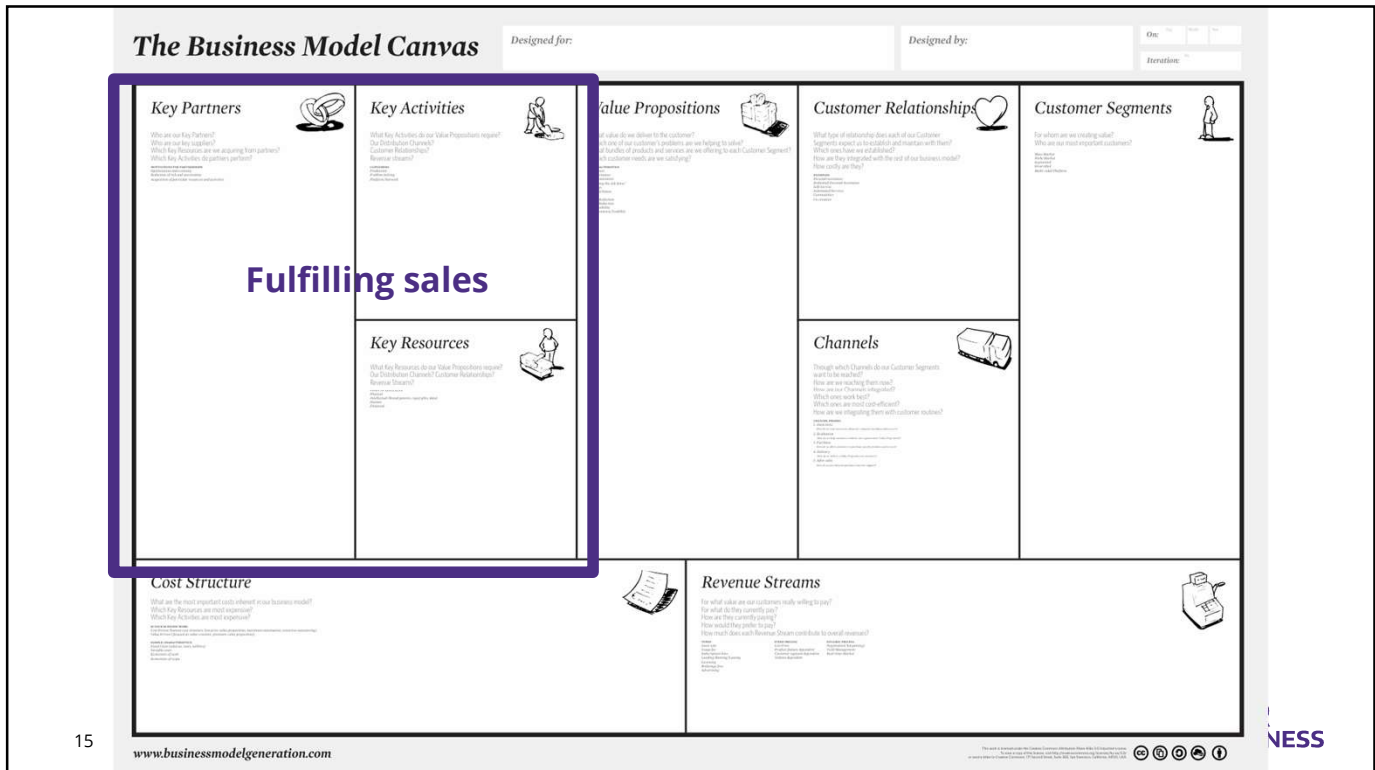
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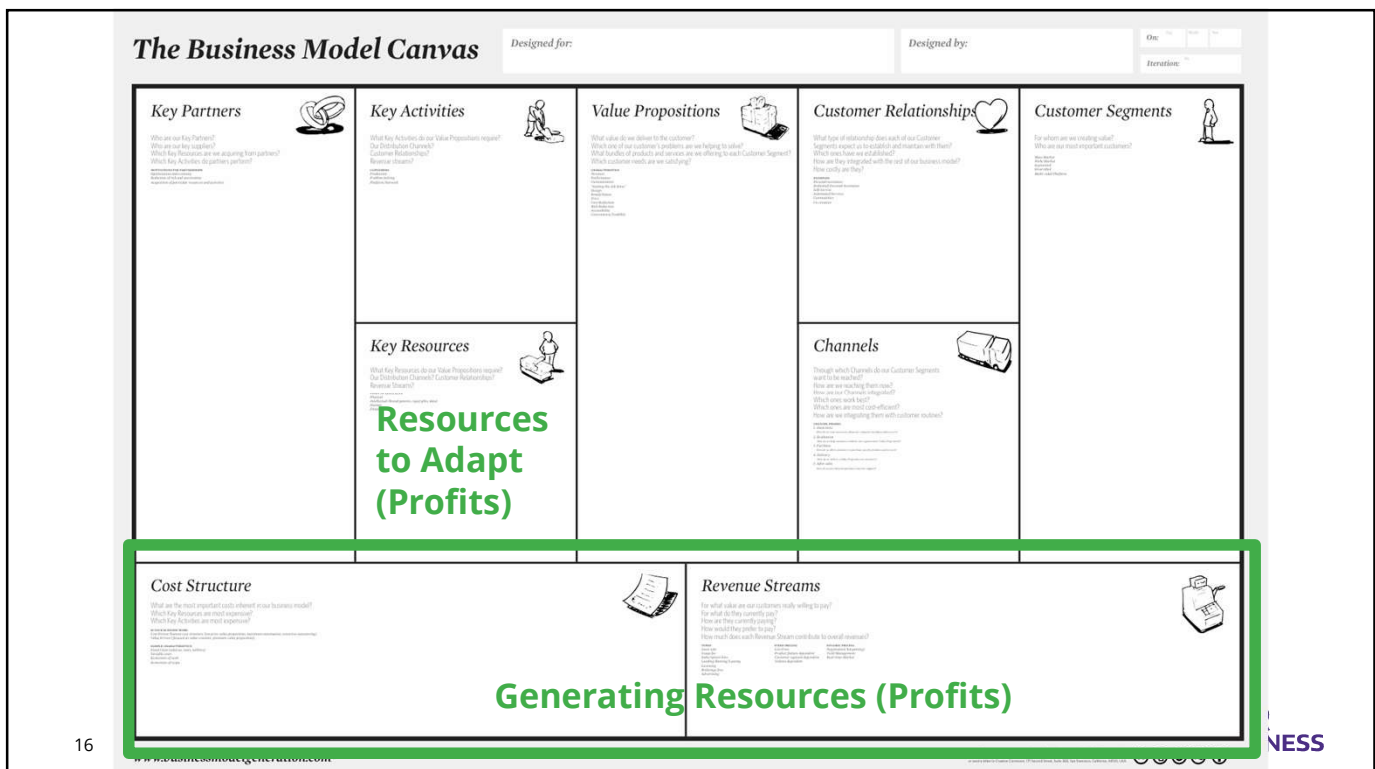
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Q1: How has your business done these 3 things in the past?

Idea 1:

A firm grows when it combines:

- (a) repeatable mechanisms for obtaining more sales,
- (b) expanded operations to fulfill those sales, and
- (c) resources for doing this that are saved up, attracted, or adapted

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Q1: How has your business done these 3 things in the past?

Idea 1:

Q2: Where is currently your primary bottleneck to greater growth?

A firm grows when it combines:

- (a) repeatable mechanisms for obtaining more sales,
- (b) expanded operations to fulfill those sales, and
- (c) resources for doing this that are saved up, attracted, or adapted

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Idea 2:

Scaling is accelerated by **competitive advantages** that increase profitability and provide capital for growth (either through earnings, investment, or debt).

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3 Questions for Any Competitive Advantage

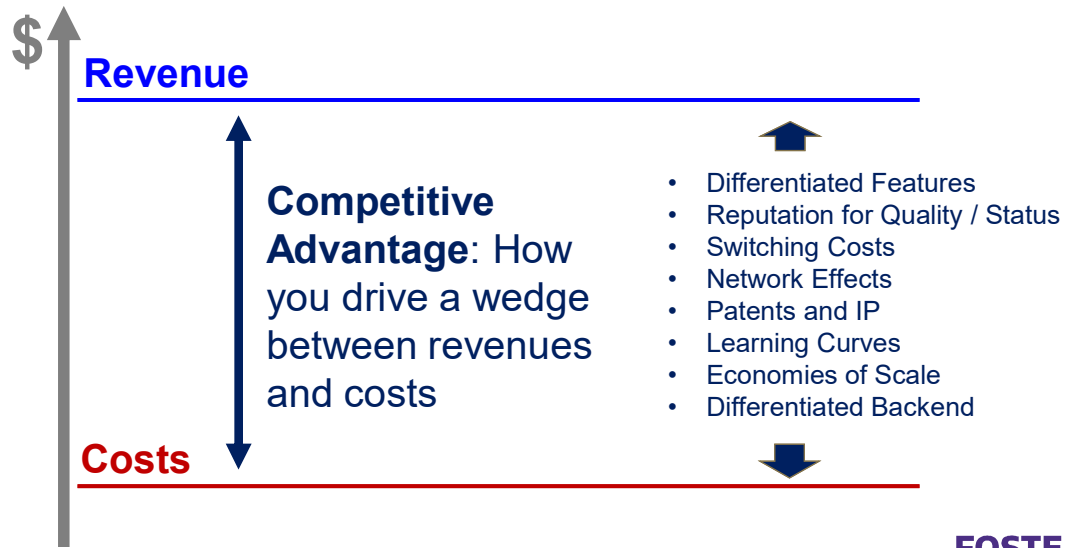
- **Valuable?** Are customers willing to pay more or does it meaningfully drive down costs?
- **Rare?** Do rivals lack the advantage? Can range from truly unique to a few rivals offer to many competitors offer.
- **Inimitable?** To what extent will rivals be able to copy or develop substitute advantages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

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Competitive Advantages (Wedges)



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Sustainable Competitive Advantages



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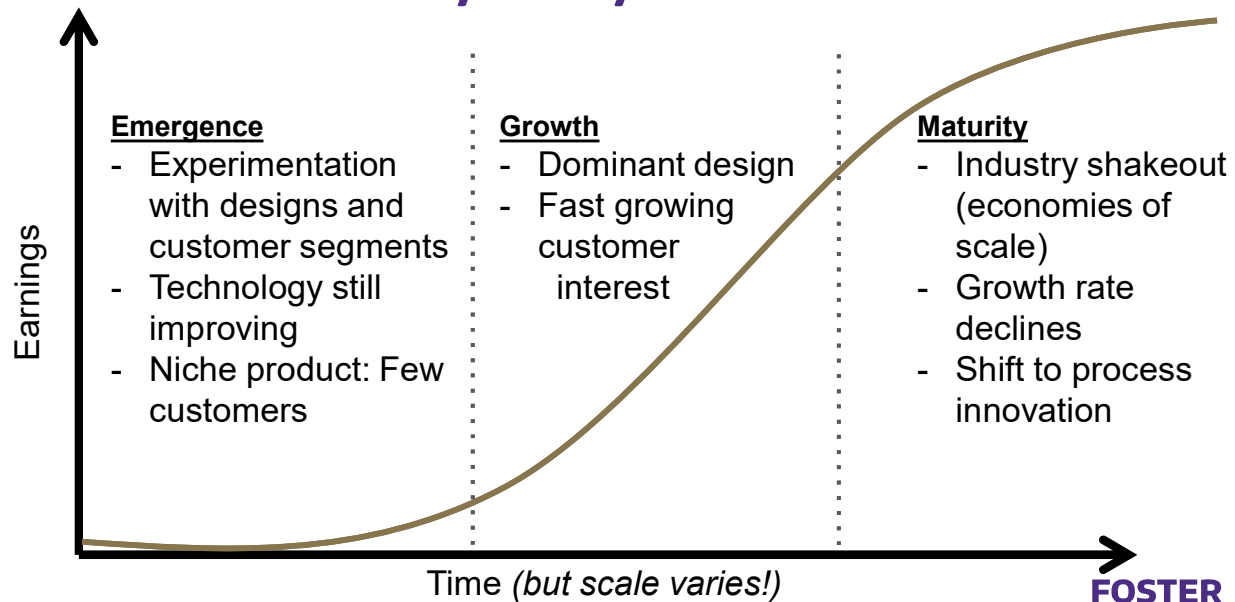
Industry Dynamics and Competitive Advantage

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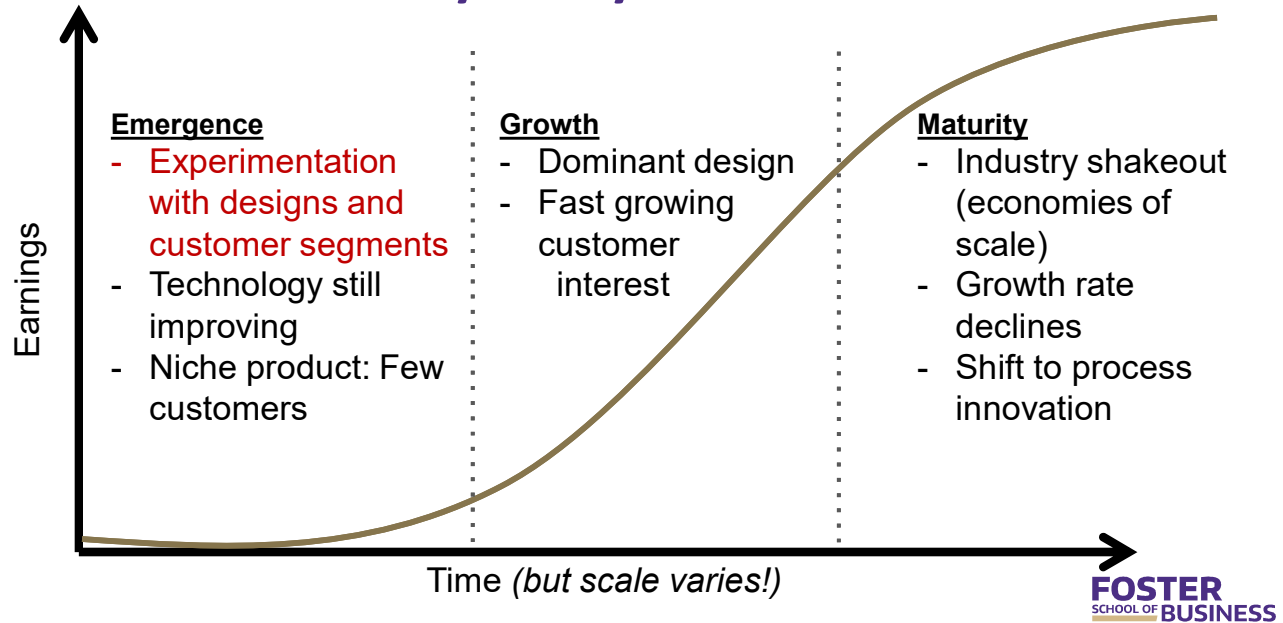
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Common Industry Lifecycle


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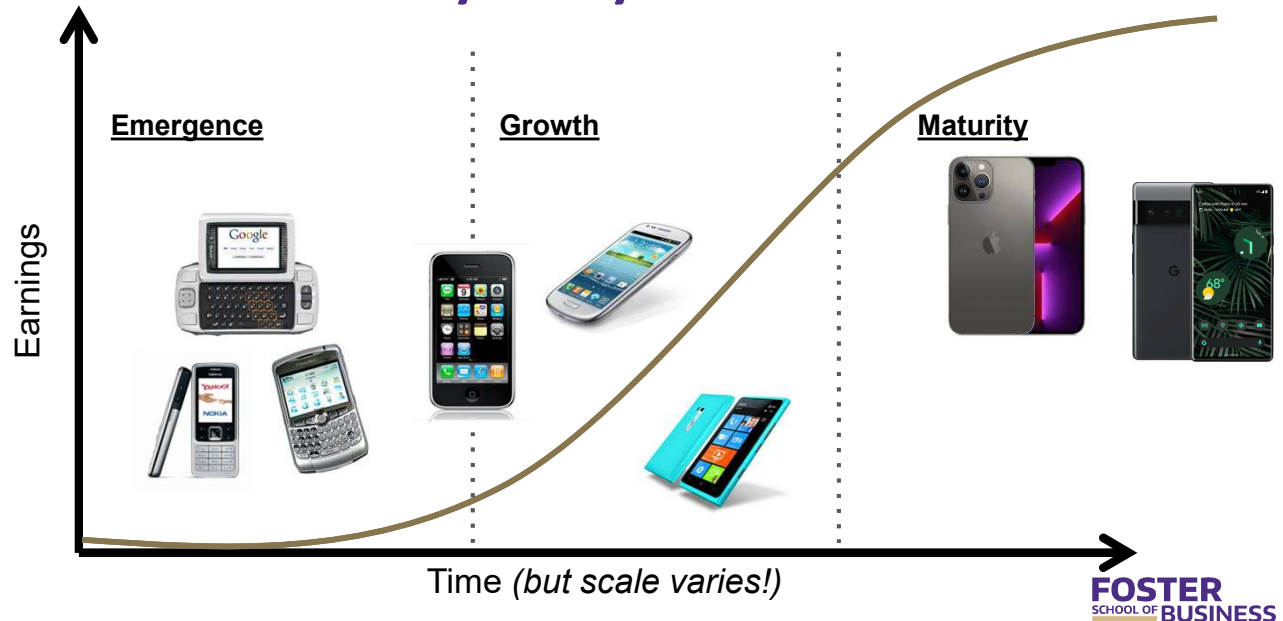
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Common Industry Lifecycle



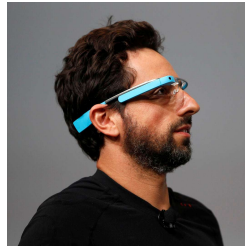
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Common Industry Lifecycle



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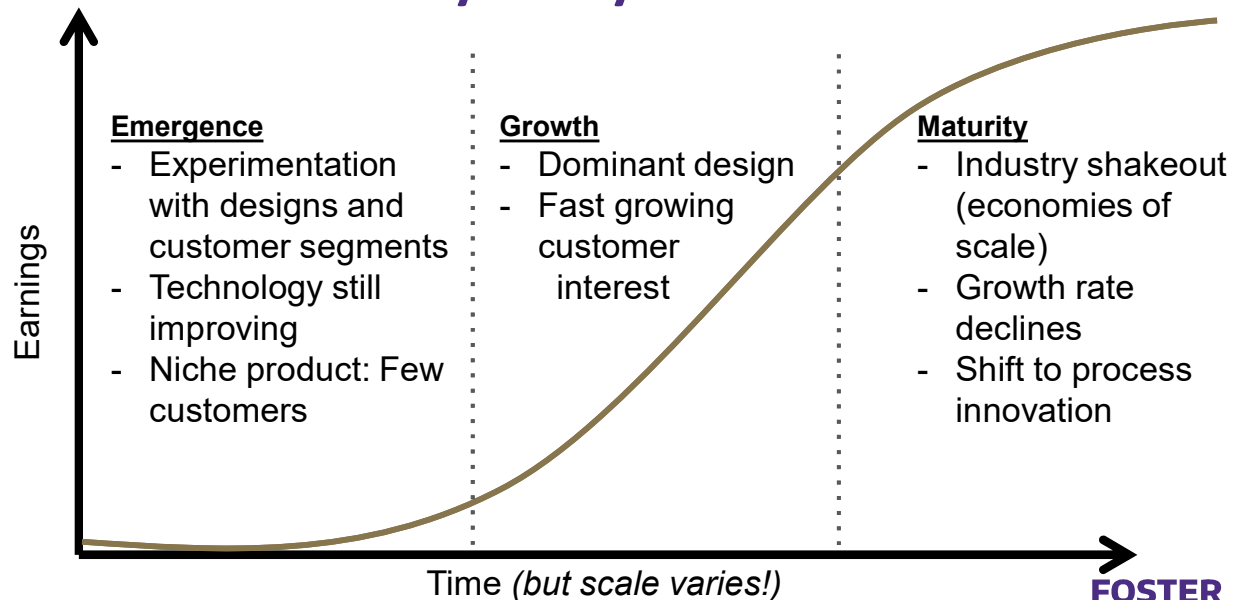
Some Industries Never Take Off – Or Exploration Phase Really Long



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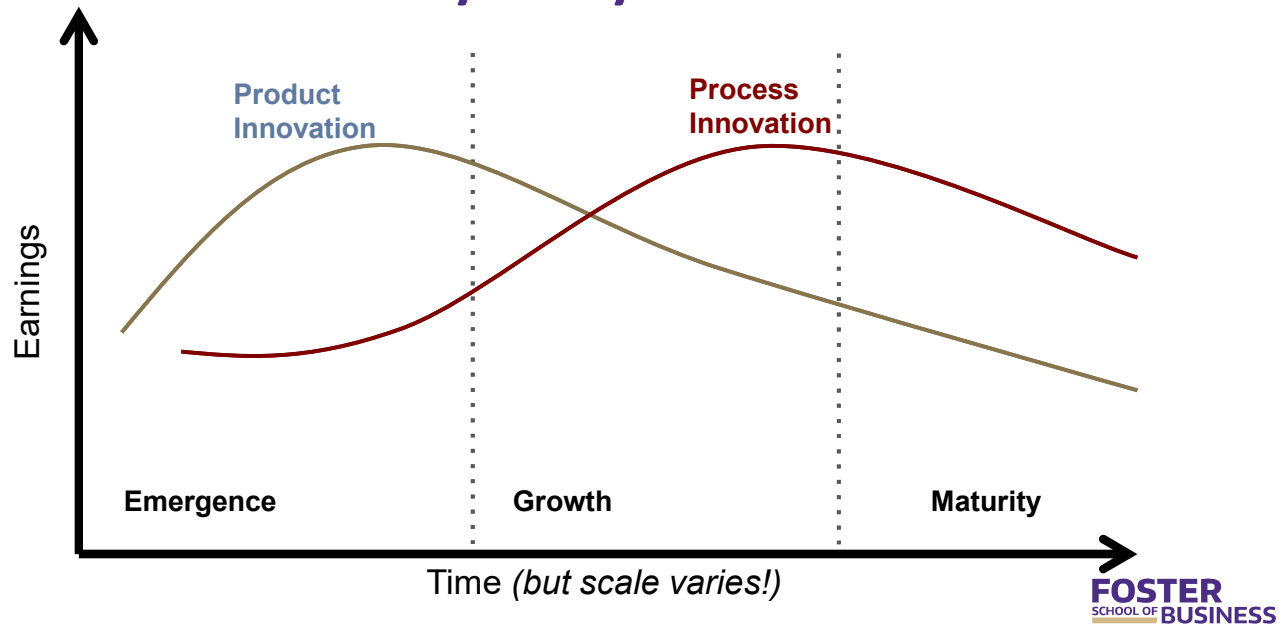
Common Industry Lifecycle



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Common Industry Lifecycle



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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**

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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?

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

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

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CASE PART I: SCALING TO \$15M

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Today's Learning Goals

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

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Discuss in Pairs

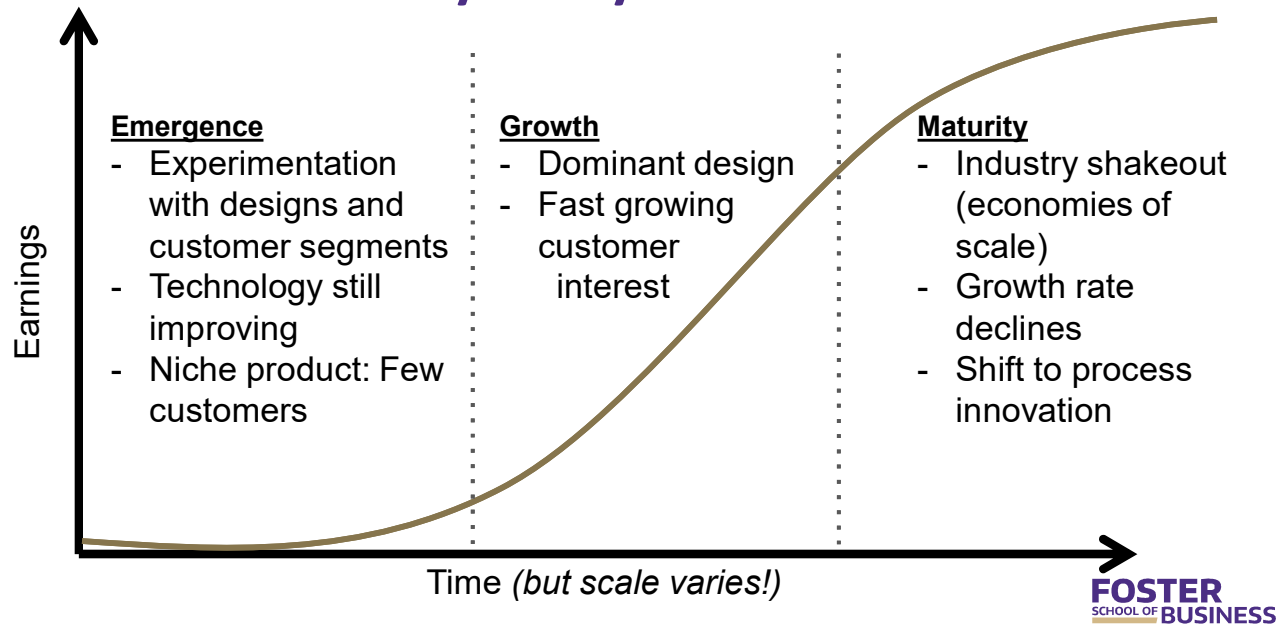
- What does INPAX do?
- How mature is the industry during the case? Does the industry evolve during the case?
- What are points of differentiation in the industry? Possible sources of competitive advantage?

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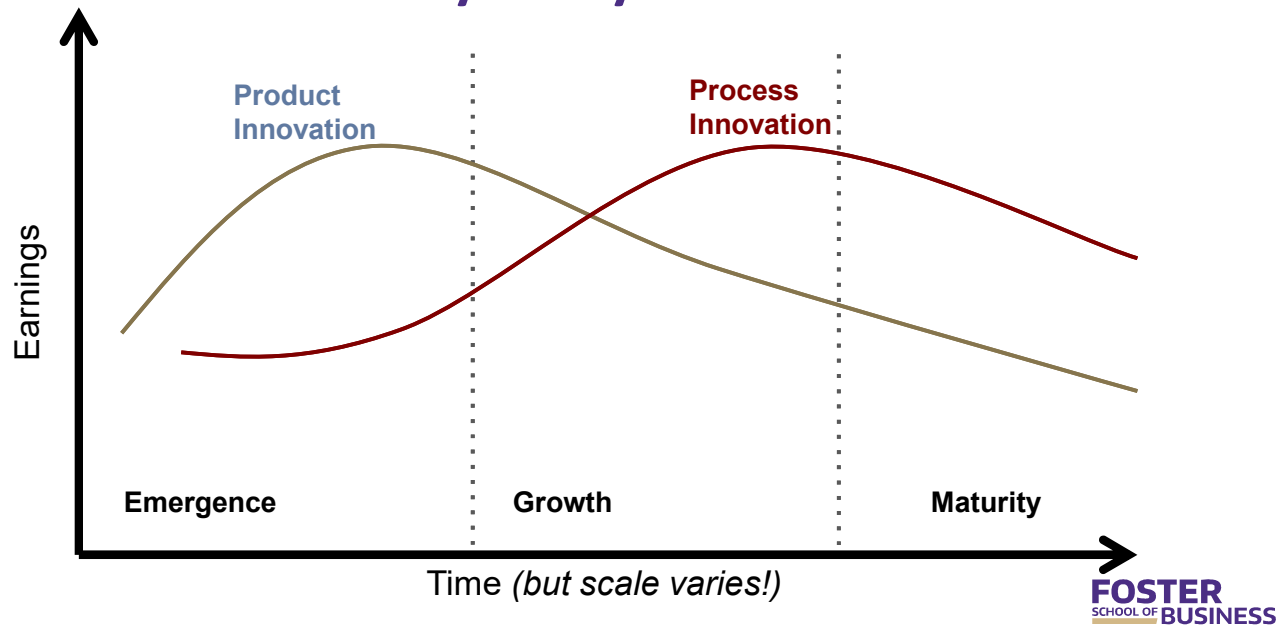
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Common Industry Lifecycle



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Common Industry Lifecycle



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Discuss in Pairs

- 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?

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Leonard's Strategic Growth Map

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Idea 1:

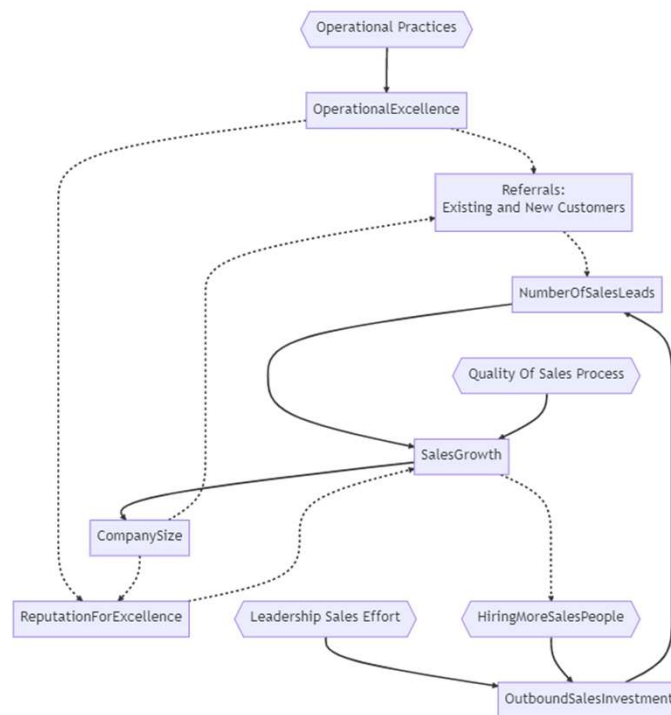
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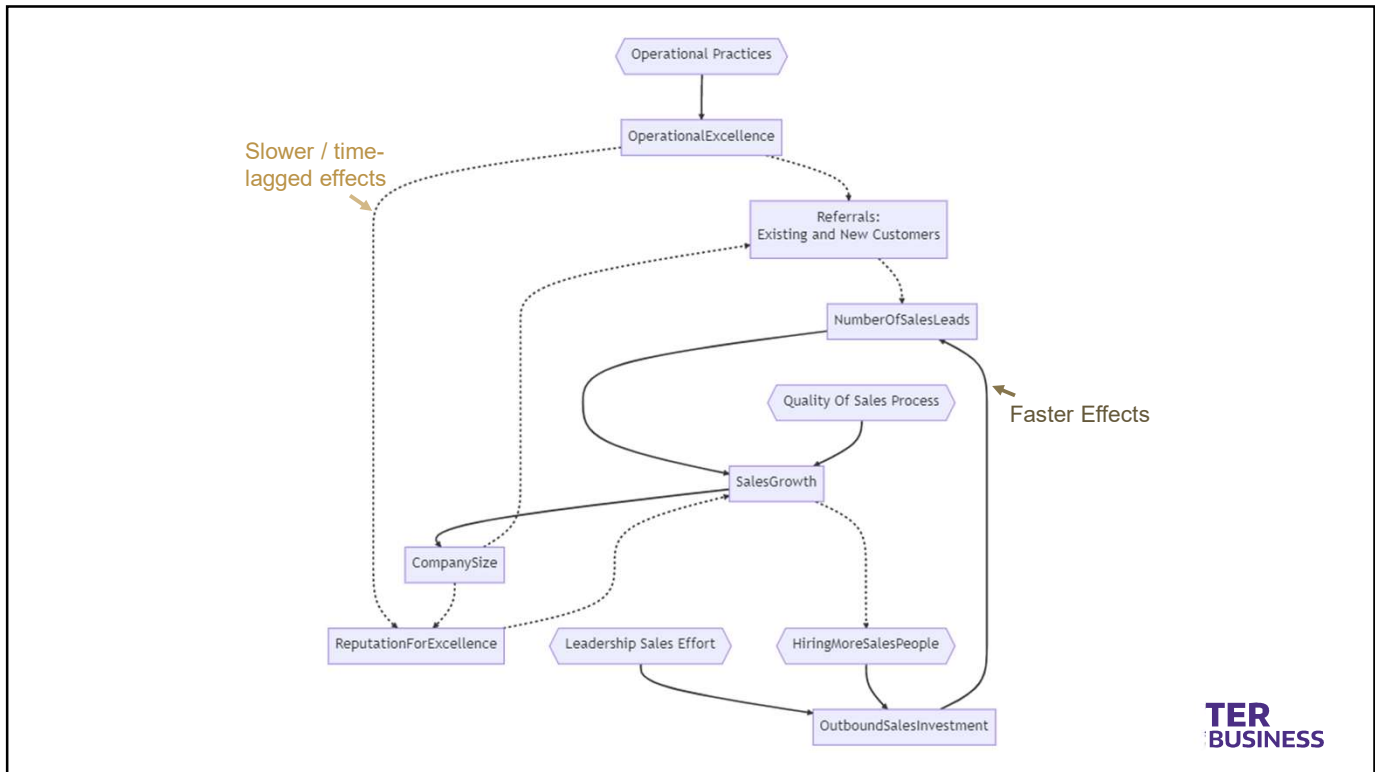
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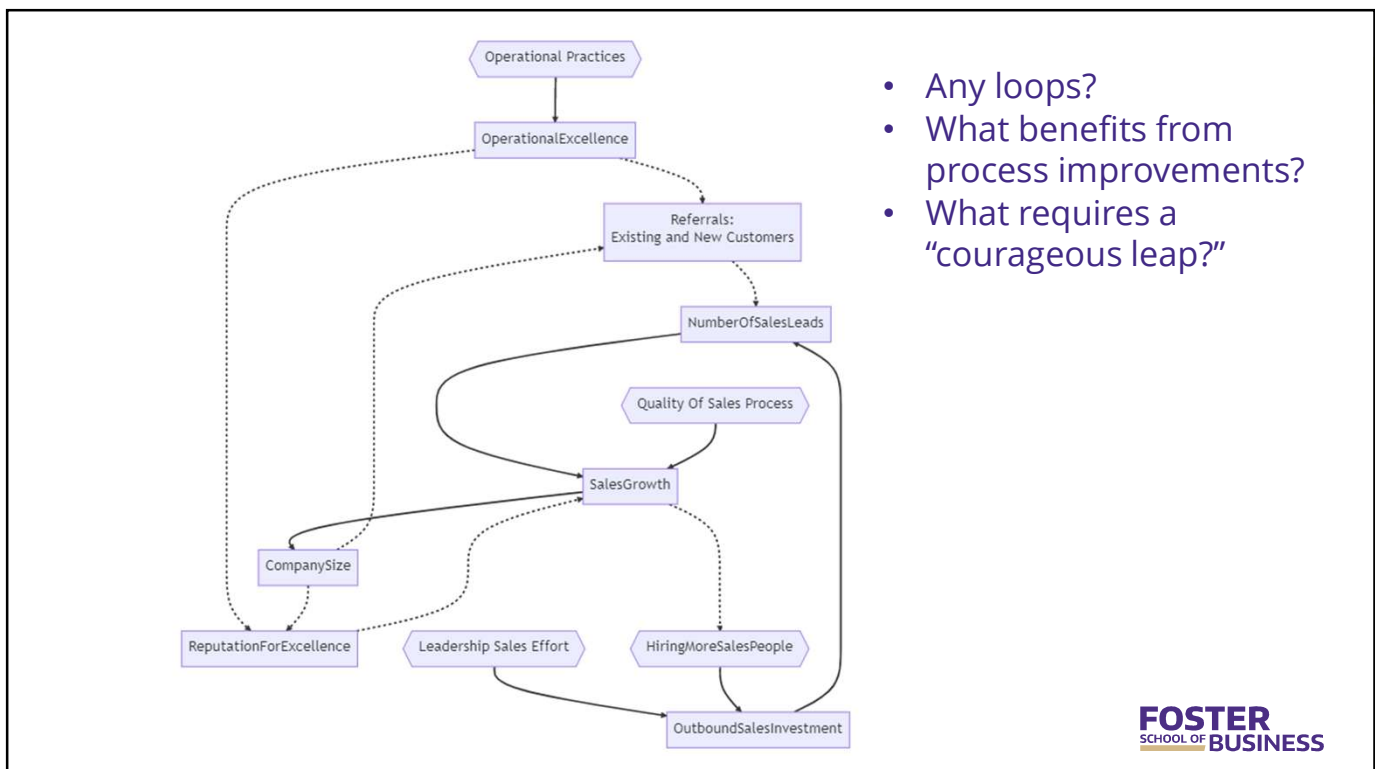
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- Any loops?
- What benefits from process improvements?
- What requires a "courageous leap?"

BH1

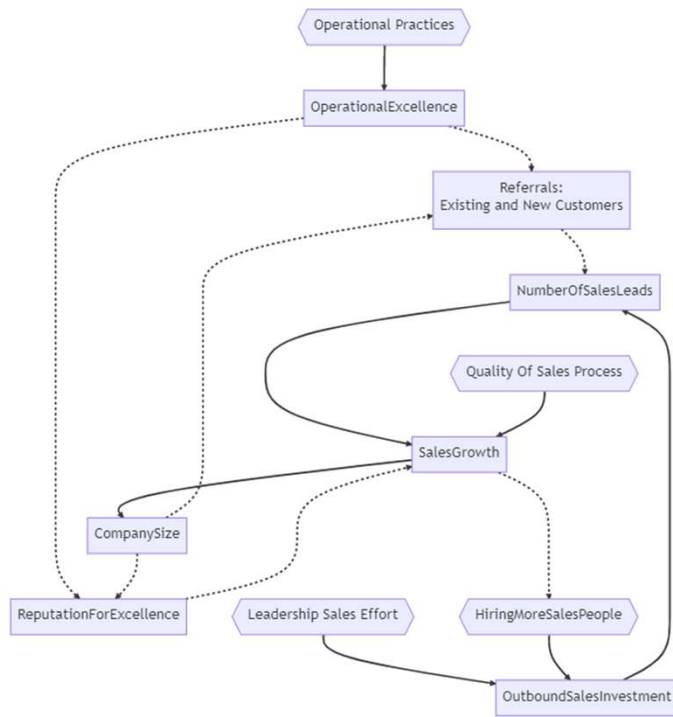
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Slide 44

BH1 Rework this. Still idea of compounding. Maybe 3 questions

Benjamin L. Hallen, 2025-09-08T16:26:55.726

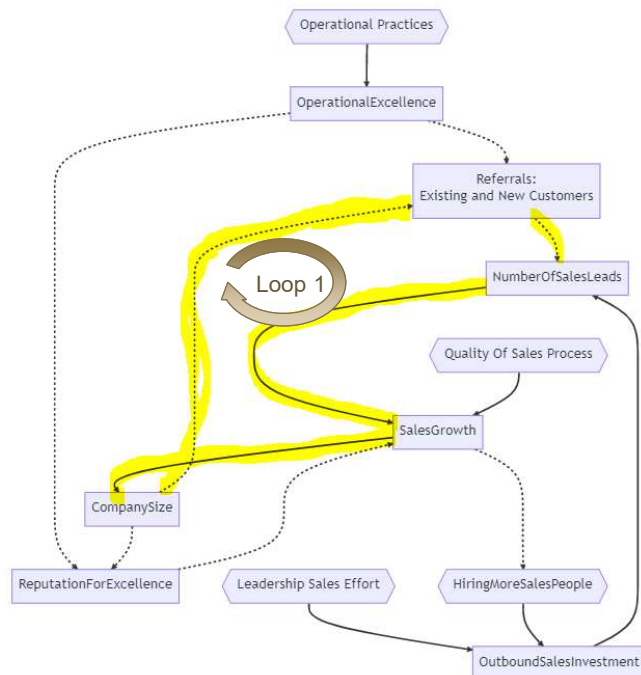
BH1



- **Any loops?**
- What benefits from process improvements?
- What requires a "courageous leap?"

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- **Any loops?**
- What benefits from process improvements?
- What requires a "courageous leap?"

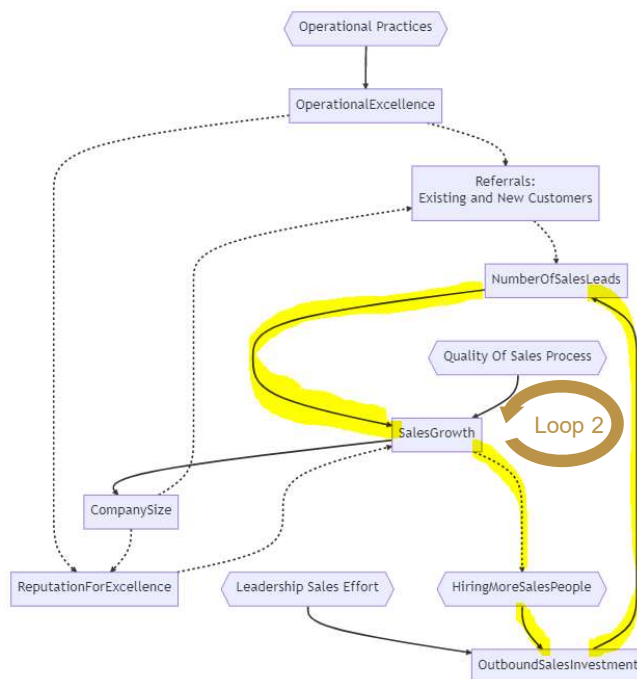
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Slide 45

BH1 Rework this. Still idea of compounding. Maybe 3 questions

Benjamin L. Hallen, 2025-09-08T16:26:55.726



- **Any loops?**
- What benefits from process improvements?
- What requires a “courageous leap?”

47

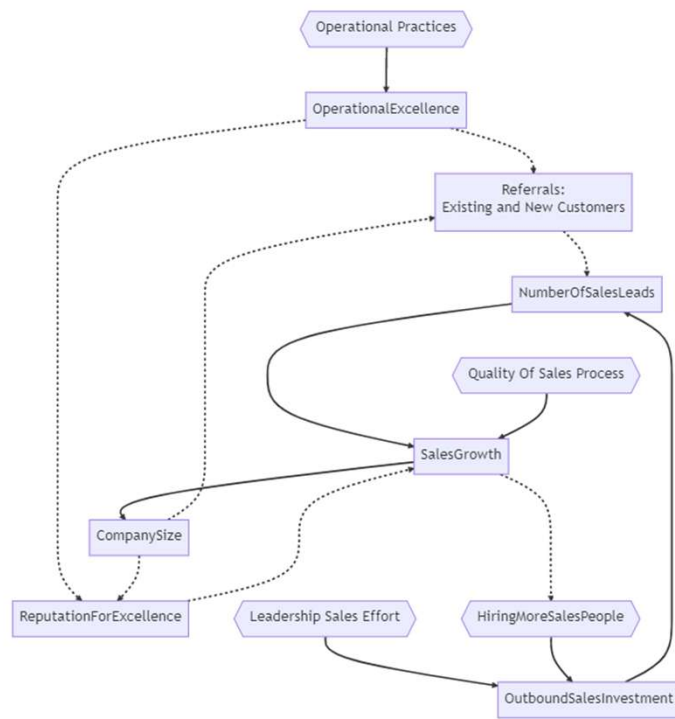
Idea 5: “Loops” create **accumulative advantages** that compound over time and build customers, capital, and reputation

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

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48

BH1

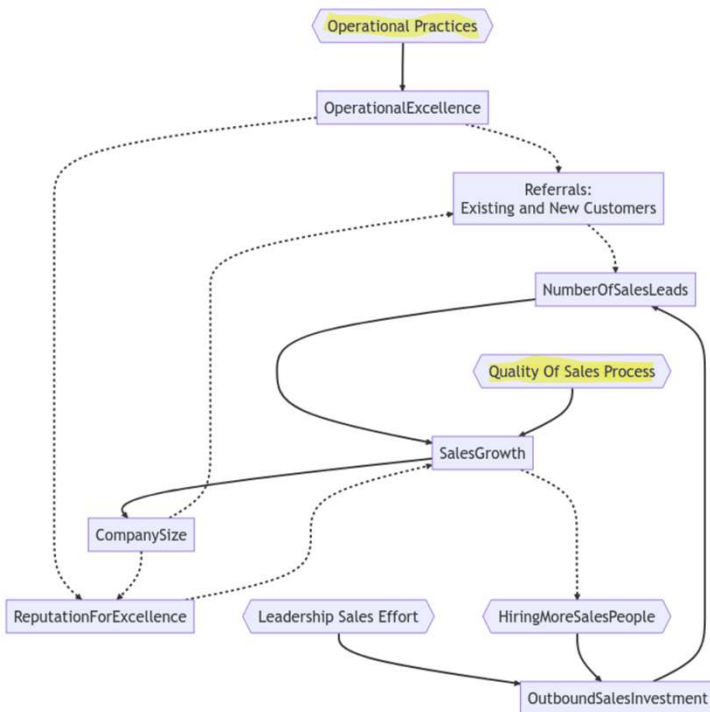


- Any loops?
- **What benefits from process improvements?**
- What requires a "courageous leap?"

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BH1



- Any loops?
- **What benefits from process improvements?**
- What requires a "courageous leap?"

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Slide 49

BH1 Rework this. Still idea of compounding. Maybe 3 questions

Benjamin L. Hallen, 2025-09-08T16:26:55.726

Slide 50

BH1 Rework this. Still idea of compounding. Maybe 3 questions

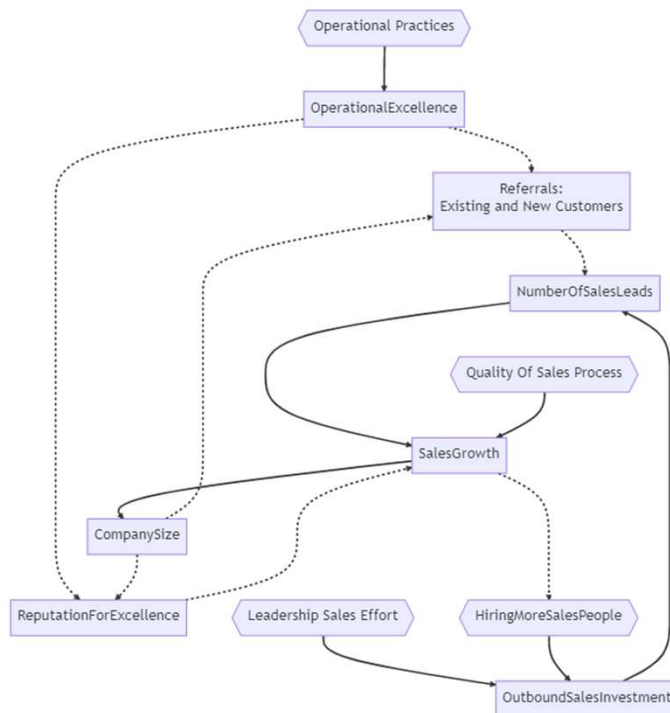
Benjamin L. Hallen, 2025-09-08T16:26:55.726

Idea 6: The right **processes** setup scaling by making it easier to hand off tasks and reliably achieve key outcomes

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- Any loops?
- What benefits from process improvements?
- **What requires a "courageous leap?"** (i.e., an investment whose payoff is unsure)

BH1

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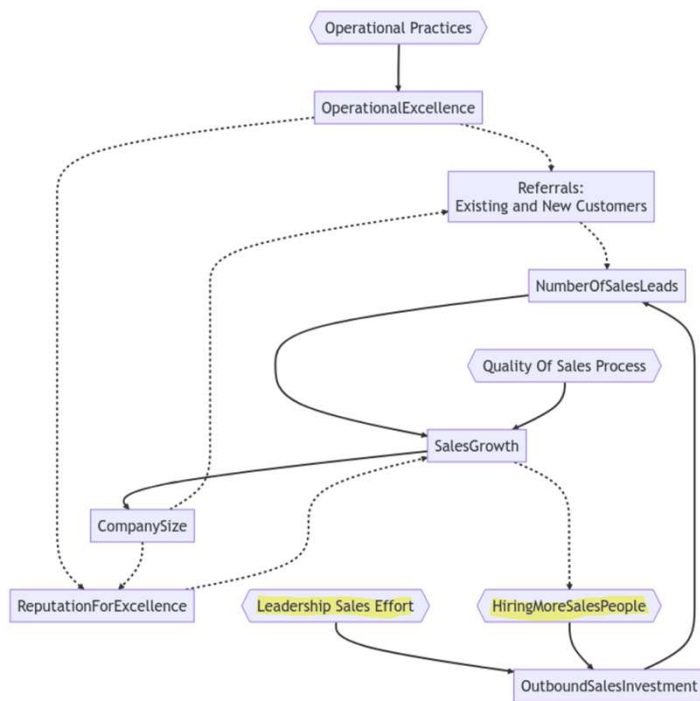
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Slide 52

BH1 Rework this. Still idea of compounding. Maybe 3 questions

Benjamin L. Hallen, 2025-09-08T16:26:55.726

BH1



- Any loops?
- What benefits from process improvements?
- **What requires a "courageous leap?"**
(i.e., an investment whose payoff is unsure)

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

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Slide 53

BH1 Rework this. Still idea of compounding. Maybe 3 questions

Benjamin L. Hallen, 2025-09-08T16:26:55.726

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?

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Driving B2B Sales Growth

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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

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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

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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)

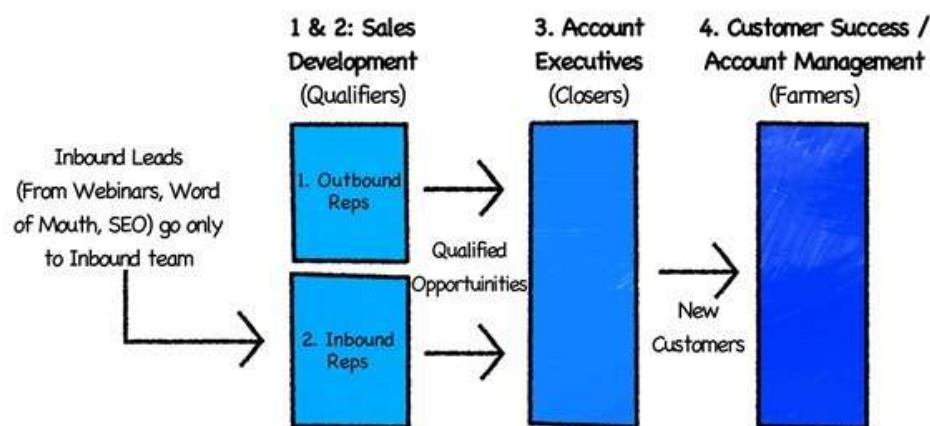
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Consider Role Specialization

Specialize Your Four Core Sales Roles



Sources: Predictable Sales by Ross and Tyler; <https://www.forentrepreneurs.com/predictable-revenue/>

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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

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How is B2G sales growth similar? Different?

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Navigating a Recession

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Discuss in Pairs

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

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CASE PART II: SCALING TO \$75M

Case II

Consider (Then Discuss)

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

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Navigating a Recession

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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

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Rebuilding

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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?

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Driving Operational Excellence

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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

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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

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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

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Consider Role of Software

- Automate routine tasks
- Improve visibility into key performance indicators
- *Modern AI: Shifting what can be automated + lowering cost of custom software*

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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

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The Personal Side of Scaling

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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?

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E-Commerce Retailer Opportunity

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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?

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And the journey continues . . .

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Building “sellability” in your business . . .

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

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

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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

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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

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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

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Deterrents for Some (Many?) Buyers

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

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Case Studies

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Jonathan & Courtney Dunn—CEO & President

View Case Study



Cerbo

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Private Equity: Buying a substantial portion of equity in a private company with the aim of seeking an attractive return through a future sale or IPO; typically holding 4-7 years

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Examples

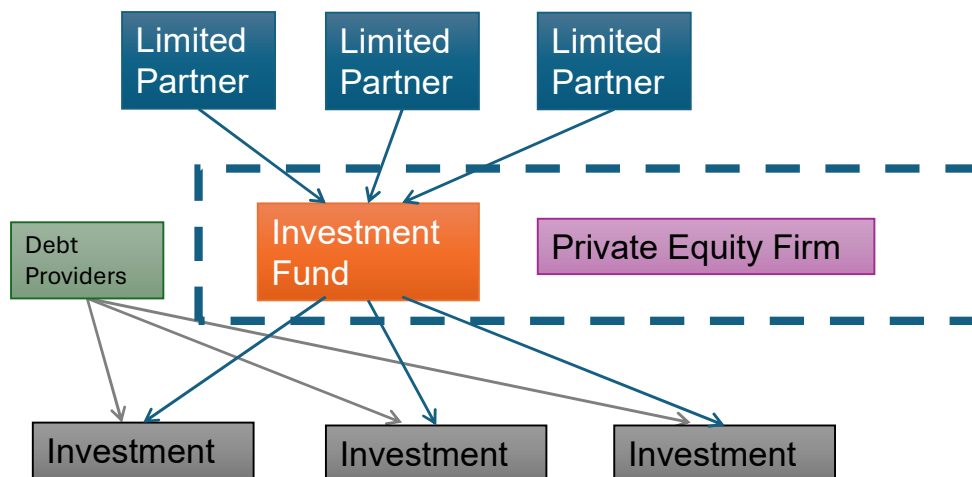

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Common Features of Private Equity Deals

- Leverage – Use of debt to increase available capital. Increases risk/returns for PE investors.
- Variants in focal companies
 - Platforms / rollups – buy a set of small, related business
 - Distressed – turnaround situations
 - Growth equity – accelerating growth by improving capital, management, and scale (note: often minority investment)

Private Equity Industry Structure



Evolution of PE

- 1970s & 1980s – Financial Engineering & Governance
- 1990s – Early 2000s – Above + Operations
- Mid 2000s – Today – Above + Growth / Strategy (including in-house consultants)

CEO Selection / Assessing Your Preference

What characteristics are associated with CEO success (in buyouts)?

- Data on 224 PE/VC deals in US from ghSMART (Executive assessment firm specializing in PE)
 - 316 candidates
 - Candidates being hired for: (a) buyouts and (b) VC-backed ventures (roughly even split)
 - Firm conducts 4 hour interviews + 360 interviews, scores candidates on 30 characteristics
- Success:
 - View of the PE firm
 - Favorable exit
 - Positive press regarding operations or additional financing at higher valuation



Kaplan, Klebanov, and Sorensen, 2012. Which CEO Characteristics and Abilities Matter? Journal of Finance.

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What characteristics are associated with CEO success (in buyouts)?

- | | |
|----------------------------|----------------------|
| • Brainpower | • Listening skills |
| • Keeps commitments | • Network |
| • Efficiency | • Organization |
| • Flexibility | • Persistence |
| • High Standards | • People development |
| • Holds People Accountable | • Proactive |



Kaplan, Klebanov, and Sorensen, 2012. Which CEO Characteristics and Abilities Matter? Journal of Finance.

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What characteristics are associated with CEO success (in buyouts)?

- Brainpower (No)
- Keeps commitments (Yes)
- Efficiency (Yes)
- Flexibility (No)
- High Standards (Yes)
- Holds People Accountable (Yes)
- Listening skills (No)
- Network (No)
- Organization (Yes)
- Persistence (Yes)
- People development (No)
- Proactive (Yes)

What characteristics are associated with CEO success (in buyouts)?

- | | |
|--|---|
| <p><u>Executing Identified Initiatives</u></p> <ul style="list-style-type: none"> • Keeps commitments (Yes) • Efficiency (Yes) • High Standards (Yes) • Holds People Accountable (Yes) • Organization (Yes) • Persistence (Yes) • Proactive (Yes) | <p><u>Creative visionary</u></p> <ul style="list-style-type: none"> • Brainpower (No) • Listening skills (No) • Network (No) • Flexibility (No) <p><u>Long-term org development</u></p> <ul style="list-style-type: none"> • People development (No) |
|--|---|

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Building Your Growth Plan

- What are 2-4 changes you could make over next year to drive growth?
- 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?

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TAKEAWAYS

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Idea 1:

A firm grows when it combines:

- (a) repeatable mechanisms for obtaining more sales,
- (b) expanded operations to fulfill those sales, and
- (c) resources for doing this through past earnings

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Idea 2:

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

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3 Questions for Any Competitive Advantage

- **Valuable?** Are customers willing to pay more or does it meaningfully drive down costs?
- **Rare?** To what extent 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*)

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Idea 3:

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

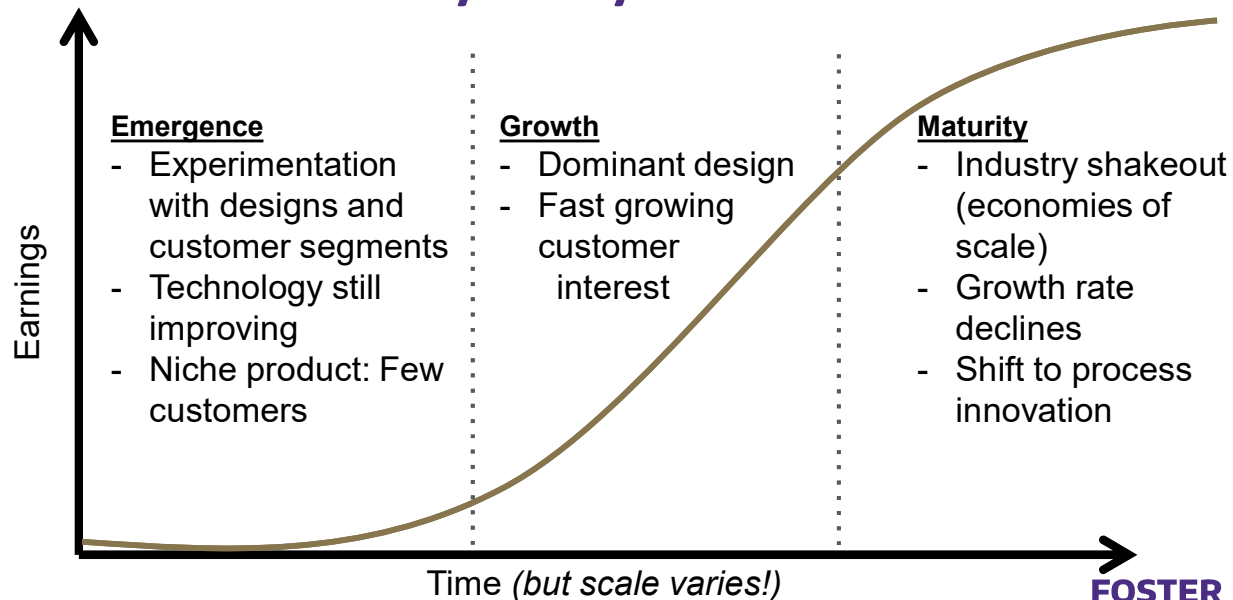
- Early on more about **product differentiation**
- Later on more about **process differentiation**

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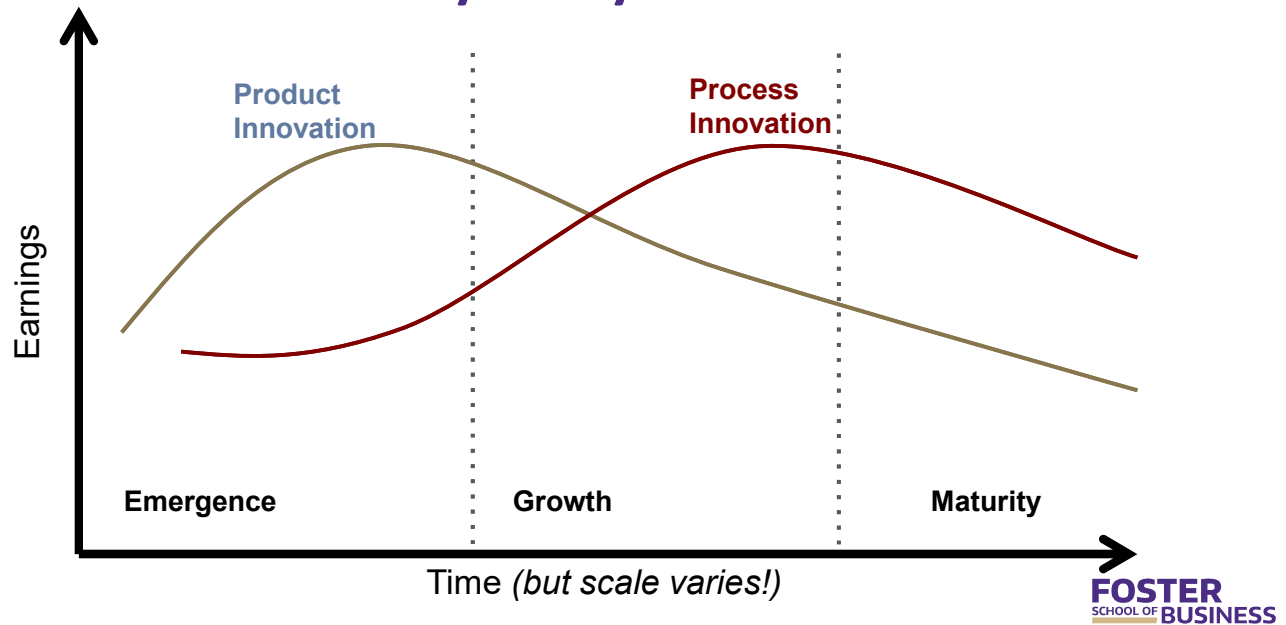
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Common Industry Lifecycle


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Common Industry Lifecycle



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

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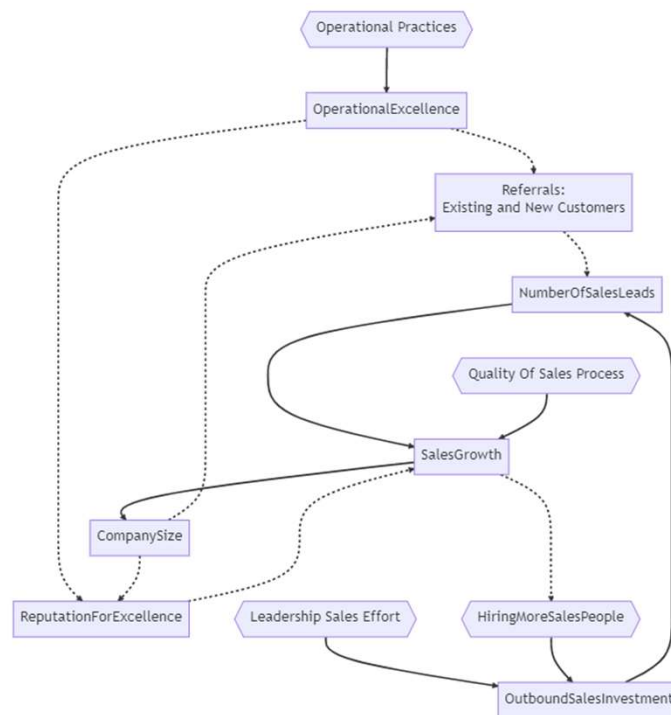
Idea 5: “Loops” create **accumulative advantages** that compound over time and build customers, capital, and reputation

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

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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

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Building Your Growth Plan

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Thank you!
bhallen@uw.edu

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