



Built to Scale: Taking Middle-Market Companies to the Next Level

In the second installment of the Kellogg-Chase “Growth in Middle-Market Companies” series, Kellogg Professor Mohan Sawhney highlights five strategic areas where executives must shift their mindset to achieve scale.

As every middle-market executive can attest, maintaining a steady growth trajectory is a formidable challenge. Often, the initial strategies that fuel a company’s ascent can actually become obstacles in getting it to the next level. In addition, a number of organizational barriers, from a shortage of skilled managers to a lack of systematic processes, can cause growth to stall. Business leaders who recognize these pitfalls can ensure that their enterprise has the talent and capabilities to adjust to evolving needs. To support this objective, the Kellogg School of Management and Chase have partnered to present “Growth in Middle-Market Companies.” This four-part series offers perspectives from Kellogg faculty, Chase experts and business practitioners through presentations and panel discussions.

In the second session of the series, Kellogg Professor Mohan Sawhney discussed insights from his research on growth, innovation and strategy. He also drew on firsthand experience serving on the boards of middle-market companies that have achieved impressive and sustained growth. According to Sawhney, executives must constantly reinvent their business, make an organization-wide commitment to innovation and build the capabilities to pursue new markets and opportunities. He highlighted five ways in which middle-market companies need to shift their strategy if they want to take their company to a new level. According to Sawhney, a company that is “built to scale” needs to make the following transitions:

- 1. Opportunistic to Strategic.** Initially, companies need to explore different segments, markets and products—and cannot afford to be too choosy about customers. But to get to the next level, executives should seek to narrow their markets and focus on targeted customer segments.
- 2. Projects to Products.** Project-based work can provide a business with vital experience, services-based revenues and a better understanding of market opportunities. Sustained growth, however, is fueled by translating project-based work into scalable products.
- 3. Ownership to Partnership.** Startups typically need to control every facet of operations to ensure they are satisfying their customers. But to scale, middle-market companies need to rely on partnering to access capabilities, technology and customers.
- 4. People to Process.** In most startups, a handful of talented founders are the driving force. But as a company grows, it needs to embed expertise into its processes and structure so that it can lessen its reliance on a few key people.
- 5. Relationships to Brands.** Rainmakers can bring in foundational clients, but reaching beyond existing customers and markets requires a strong brand that communicates a company’s value to a broader audience—one it may not be able to reach directly through its salespeople. ■

For more insight from Kellogg on middle-market companies, visit kell.gg/16Dx1Zx. For more information from Chase, please visit chase.com/cb.

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