



Middle-Market Companies and Growth: Lessons from the Road

In the first installment of the Kellogg-Chase “Growth in Middle-Market Companies” series, Kellogg Professor Mike Mazzeo highlights four guidelines that can help executives develop effective strategies to scale their business.

All small and middle-market businesses strive to identify avenues for growth, but the best path is often far from clear. Executives face the common challenges of trying to monitor industry trends, make strategic investments, and take advantage of emerging opportunities. The Kellogg School of Management and Chase both understand the importance of middle-market companies to the economy as well as the special skills that executives must have to be successful. As no playbook currently exists to help these businesses, Kellogg and Chase have partnered to present “Growth in Middle-Market Companies.” This four-part series brings together Kellogg faculty, Chase experts, and business practitioners for presentations and panel discussions.

In the first session of the series, Kellogg Professor Mike Mazzeo discussed insights from the Roadside MBA Project, which visited more than 120 small and midsize businesses across a range of industries. Mazzeo and his colleagues, University of Utah’s Scott Schaefer and Stanford’s Paul Oyer, interviewed business leaders about their company’s operations, markets, and plans for expansion. Based on this research, Mazzeo shared several guidelines that middle-market companies should keep in mind when pursuing growth.

- 1. Increase quantity without incurring additional fixed costs.** The best starting point for growth is to identify areas of the business where a product can be designed or produced once to serve a large customer base. Pinpointing these economies of scale is an essential part of a successful growth strategy.
- 2. Verify that sufficient demand exists before investing the fixed costs.** Before making strategic decisions about products or services, companies should conduct rigorous analysis to quantify the customer base. Data from industry organizations, federal agencies, and consumer groups can be important sources.
- 3. Ensure that growth is built on superior resources and capabilities.** Rather than focus on product extensions, middle-market companies should identify new applications for their core knowledge, skills, or processes. Often, this process requires creativity and looking beyond a company’s existing client base.
- 4. Recognize the areas of the business that are not scalable.** Sometimes when companies grow, they lose the distinctive characteristics—such as a unified vision or effective communication—that made them successful in the first place. Business leaders should resist the temptation to grow if scale endangers the company’s competitive advantage. ■

For more insight from Mike Mazzeo and the Roadside MBA Project, visit roadside-mba.com. For more information from Chase, please visit chase.com/cb.

To continue the dialogue, be sure to attend the next session in the series, which will focus on innovation. To learn more, follow [@KelloggSchool](https://twitter.com/KelloggSchool), [@KIEIatNU](https://twitter.com/KIEIatNU), and [@ChaseNews](https://twitter.com/ChaseNews) on Twitter.

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