

# Managing Growth

---

*The set of changes that younger firms need to make as they grow is often referred to as the transition from entrepreneurial to professional management. The objective of this handout is to help entrepreneurs and their firms make the transition with a greater chance of success.*

## **Entrepreneurial Management:**

- Centralized decision making: general manager can make most of the decisions needed to run a firm
- Informal control: there is little need for formal procedures and systems because the firm is small enough that the supervisor can monitor the entire business

## **Professional Management:**

- Delegation of decision-making responsibility: one individual cannot make all the decisions of the firm; general manager delegates responsibility to middle managers
- Use of formal control systems: there is a need for systems that guide and evaluate middle managers who are making decisions

## **Making the Transition to Professional Management**

- Recognizing the need for change
  - Often a crisis draws attention to the need for change
  - Early warning signs: lack of follow-up on details, incredible stress on the individual entrepreneur, and a sense of organizational disarray
  - Manager must accept the shift from receiving personal satisfaction from direct action to finding satisfaction in results through others
- Developing the Human Resources
  - Entrepreneur must overcome personal loyalties that threaten the organization
  - Need aggressive individuals who can accept and execute responsibility
- Delegating Responsibility
  - Its important to place the responsibilities close to the source of information for reliable decision making
  - While delegating, the manager must be careful not to give up the power to oversee key issues that require personal perspective
- Developing Formal Controls
  - Focus of the control system should shift to performance instead of behavior
  - Should customize policies and procedures that make sense to the organization instead of just adapting other company's policies

