

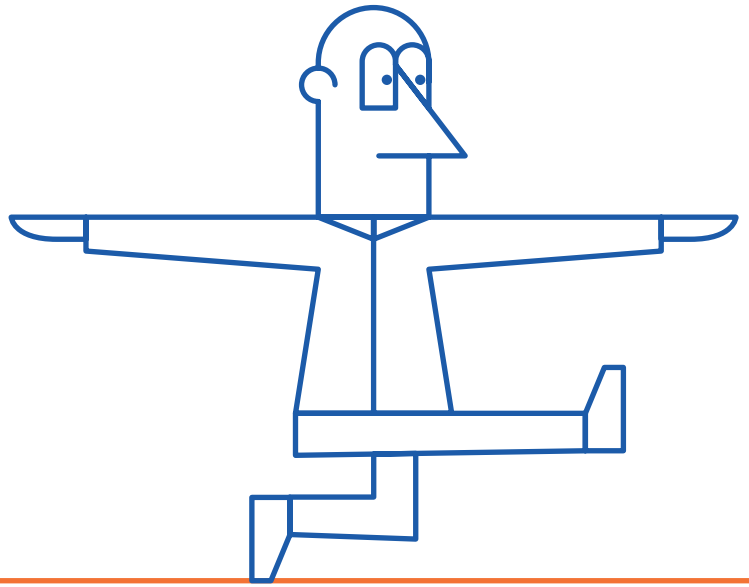
# THE GROWTH PARV DOX

MATTY PAQUAY

Lannoo  
Campus

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*“We can only remain a top region if we can count on top entrepreneurs who master the art of transformation control.”*

## Foreword: Information for entrepreneurs who want to grow

### Are these situations familiar to you?

Entrepreneurship is like sex before 1950: all sorts of things are expected of you, but no one tells you exactly what to do. And you don't want to ask. So you just learn by doing.

Just as in the days when sex was taboo, entrepreneurship today is at once the most common thing in the world and still far too little understood – not least by entrepreneurs themselves. Every company has the potential to become a growth company. But there are a lot of misunderstandings along the way from entrepreneurship to growth. And they are all the more persistent because they are not recognised. This book is not a recipe for growth. This book identifies the problems that hamper growth, explains them and provides solutions.

Entrepreneurs and managers who use this book as a guide can remove the brakes that slow down the intrinsic growth power of their businesses. Companies that lack this intrinsic growth force may not achieve growth just from using this book, though their efficiency will increase.

This book is primarily intended for growth entrepreneurs and their management teams. In this revised edition, we devote more attention to the problems of those management teams. It should prove especially helpful for companies achieving growth, but with the handbrake on. Not only does it show them where the warning lights are, it is also a manual that will show them how to take off the brakes.

**Matty Paquay**

Partner of Growth Companies

Paquay & Associates

**Are you an entrepreneur who wants to grow?  
Then this is the book for you.**

## Why this book? And why us? The extraordinary genesis of this book

### **A story of over 500 breakfasts and the same old problems**

About ten years ago, Bart Lodewijckx started as a new director at UNIZO Limburg. He wanted to get to know 'his' entrepreneurs better. For those entrepreneurs who do not usually attend receptions and parties, he came up with a unique idea: he invited himself to their company. He brought croissants, they provided the coffee. At the time of editing this reprint, this idea had already taken him to meet over five hundred entrepreneurs.

In the private setting of an office, or sometimes in an entrepreneur's living room or kitchen, he got to know them better. The conversations were about what drives them. About how difficult it is sometimes. About the times when they drive home at night and wonder if they should keep going. About the loneliness of entrepreneurship. But equally about the kicks, the successes. How satisfying it is to solve problem after problem and finally achieve results. And also about the challenges and passion of entrepreneurship. Because if anything ran like a thread through their stories, it was passion and the feeling of overcoming challenges.

A significant proportion of the entrepreneurs he visited had started with a great idea. And from that idea they built their businesses. They had not infrequently had tough years behind them. But besides the tough times, they had also known years of pure fun and kicks. After all, they all had a sense of purpose. And above all, they felt that despite the many challenges, there was progress. They derived particular satisfaction from building their businesses. And that was also the feeling among their teams. There was no watching the clock, and everyone wanted only the best for the business. At that stage the entrepreneur enjoyed a lot of respect and recognition.

Eventually, a moment comes when everything changes. It strikes Bart that the story that follows recurs in somewhat varying forms in almost all his conversations. None of the entrepreneurs can name it exactly, but there is a moment when things start to turn. And not infrequently that is when the team has grown to 15 to 20 employees. Sometimes, depending on the makeup of the employees

or the sector, it starts earlier. Or sometimes later. The situation in which the entrepreneur finds himself can best be compared to the image of a juggler in a circus who has to keep plates on sticks spinning. He starts with one plate. That goes smoothly. Then with two... that too goes fine. But there comes a moment when he has to keep so many plates in the air that he finds it difficult and is barely in time to reach the plate that threatens to fall first. Worrying about the first one makes it more likely that they will all fall at once.

While the entrepreneur was the hero of the enterprise in the early stages, now his team starts grumbling about the operation. They experience chaos. The entrepreneur no longer solves all their problems, or does so too late. And they lack structure and clarity. Conversely, the entrepreneur also starts to get upset with his team. Why do they constantly bother him with problems and questions? Can they really not solve them themselves? Why don't they take more responsibility? Not surprisingly, it is at this stage that companies lose confidence or even run aground. Bart noticed that not only were so many entrepreneurs struggling with problems in their businesses, but moreover these problems are almost the same everywhere, regardless of the size and nature of the business. What Bart did not realise at first is that these problems are quite normal. They are the so-called growing pains. But that would only later be made clear to him by Matty Paquay.

With his company Paquay & Associates, Matty helps companies with these growing pains. Sometimes these are companies experiencing problems because they have not been able to achieve significant growth for a long time, but mainly they are companies growing so fast that their operations start to suffer, after which growth comes to a standstill. These are the companies that suffer from the *growth paradox*.

Matty was interested in these challenges long before 'growth company' became a buzzword in the management and consultancy world. That interest had a particular origin. After studying commercial engineering, with an additional year of PUB (Postgraduate Course in Business Management) at Vlerick, Matty went to work for Coopers & Lybrand where he soon arrived at the startling conclusion that consultancy was not his thing. It was not theory and plans on paper that fascinated him, but practice – getting to grips with the real

## The Growth Paradox

world. His job as a product manager for the US stock market-listed firm Graco proved to be just what he needed. From Limburg, he worked with a team of nine engineers in Minneapolis on new products and put them on the market. In fact, many of the systems for product management and product launches they developed then are still in use today. At Caradon Heating Europe, Matty was tasked by the new owners with developing an alternative marketing approach and rethinking cooperation with sales management. The Corporate Finance course at Vlerick also helped here, teaching him how to better understand what investors expected from the company, and how he could respond to this with his product portfolio.

For Matty, the journey is always more exciting than the destination. Thinking up new systems and solutions fascinates him more than implementing them. This leads him, after instructive wanderings and a rucksack full of experiences, to the conclusion that his decision at the start of his career may have been too premature. So Matty became a consultant again, albeit one of a different kind. Paquay & Associates was born.

Nowhere are the challenges and the need for incisive solutions greater than in growth companies. Getting rid of growth inhibitors almost literally gives a growth company wings. However, allowing problems to drag on for too long can just as easily spell ruin. That high-pressure atmosphere turned out to be Matty's natural habitat. Making consultancy possible without getting bogged down and generating piles of paper is something right up Matty's street.

During the presentation of a JCI (Junior Chamber International) award for the young entrepreneur of the year, an initiative that Paquay & Associates has supported for many years in Flanders, Matty met Bart Lodewyckx again for the first time in many years. Bart got to know Matty's straightforward approach, and its advantages became clear when Paquay & Associates supervised a number of Growth Gazelles projects for UNIZO members. The many conversations Matty and Bart had as part of this cooperation proved inspiring for both of them. Bart's own experiences, gathered during his company visits, were dissected in those conversations. The insights gained seemed to promise a lot of help for entrepreneurs. Maybe it would be a good idea to bring it all together in a book.



For Matty, the decision to collaborate on a book was not as obvious as it might seem at first sight. If he was going to do it, it would only be for a book that would be really meaningful, one that could actually make a difference to its readers. A book filled not with paper theories, but useful, practical advice. Bringing his ideas up to the required level of quality would take time. A lot of time. However, the time Matty had available was scarce.

But if there was anyone he would want to write a book with, Bart was at the top of the list. Matty and Bart were completely on the same page in terms of ideas and their inputs complemented each other nicely. At the same time, the book provided an opportunity to flesh out one of the main challenges and concerns Matty had developed over the years: getting growth entrepreneurs to understand what was at the heart of their growing pains. There was more to it; Matty wanted to make entrepreneurs understand that problems in a business are not a sign of incompetence or lack of talent on the part of the entrepreneur, but an important signal of the opposite: those who are doing well and growing the fastest experience the problems most strongly.

The confusion between growing pains and the performance of the boss is about more than a bruised ego. Entrepreneurs who think about the problems in their organisation as a personal failure tend to keep quiet about them. They certainly don't feel any urge to seek external help or guidance. But once an entrepreneur sees his problems from the right perspective, they can be worked on. That is the first and most important step towards a new growth spurt. A book could help spread that insight.

Another issue helped in the decision to write this book, a problem that (unfortunately) continues to gain ground every year. Since 2008, our economy has been struggling with one crisis after another. Recession, pandemics, energy shortages – the problems seem to follow each other faster and faster. With each new wave, new buzzwords emerge. There are slogans like *innovate or die*, and concepts like *disruptive thinking*. Their catchy phrasings are usually much stronger than their content. Even governments, in their regulatory and subsidy processes, increasingly adopt these trendy concepts that seem to promise an exciting alternative approach.

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This is not without risk. Companies that innovate without a solid basic organisation and without a number of fundamental preconditions being met, in practice create problems but not solutions. In his work, Matty met a few companies in such a situation, which – without realising it – were innovating at high speed towards the abyss. These concrete cases were the signal for Matty to begin initiatives to policymakers and government. He started workshops for parliamentarians, mayors and other policymakers. At first, they had their doubts about these workshops, which were offered free of charge, and perhaps they suspected a hidden commercial interest. But the real motive eventually became clear and enthusiasm increased. In the same way, the message in this book is not just for entrepreneurs, but for policy-makers too.

*The Growth Paradox* hopes to bring this message to yet another group – to academia. With this book, we want to help build a bridge between theory and practice. As visiting professor of Business Modelling at Hasselt University, Matty has been strengthening the link between academia and business with each new batch of students. His students learn to develop and improve business models by working with companies in their studies. As a result, students from all over the world leave with unique practical experience, and each year they help companies move forward with an improved or even entirely new business model.

The common problems of growth can be seen in many areas of entrepreneurial life: marketing, HR, sales, R&D, operations and all the rest. In most of these areas, the entrepreneur plays a central role. In Chapter 10 of this book, Matty refers to a field that has increasingly fascinated him in recent years: neuroscience. That interest led him to study Applied Neurosciences at MIT in Boston. In a nutshell, over the years the realisation has grown that the manner in which the No.1 takes up his central role in the organisation depends not just on having the right insights and the will to solve problems. Matty came to realise that other factors, physical and mental, play a significant role – especially adequate rest and healthy eating. With increasing concerns over phenomena such as ‘burnouts’ and ‘boreouts’, this approach does not sound nearly as esoteric as it did a decade ago.

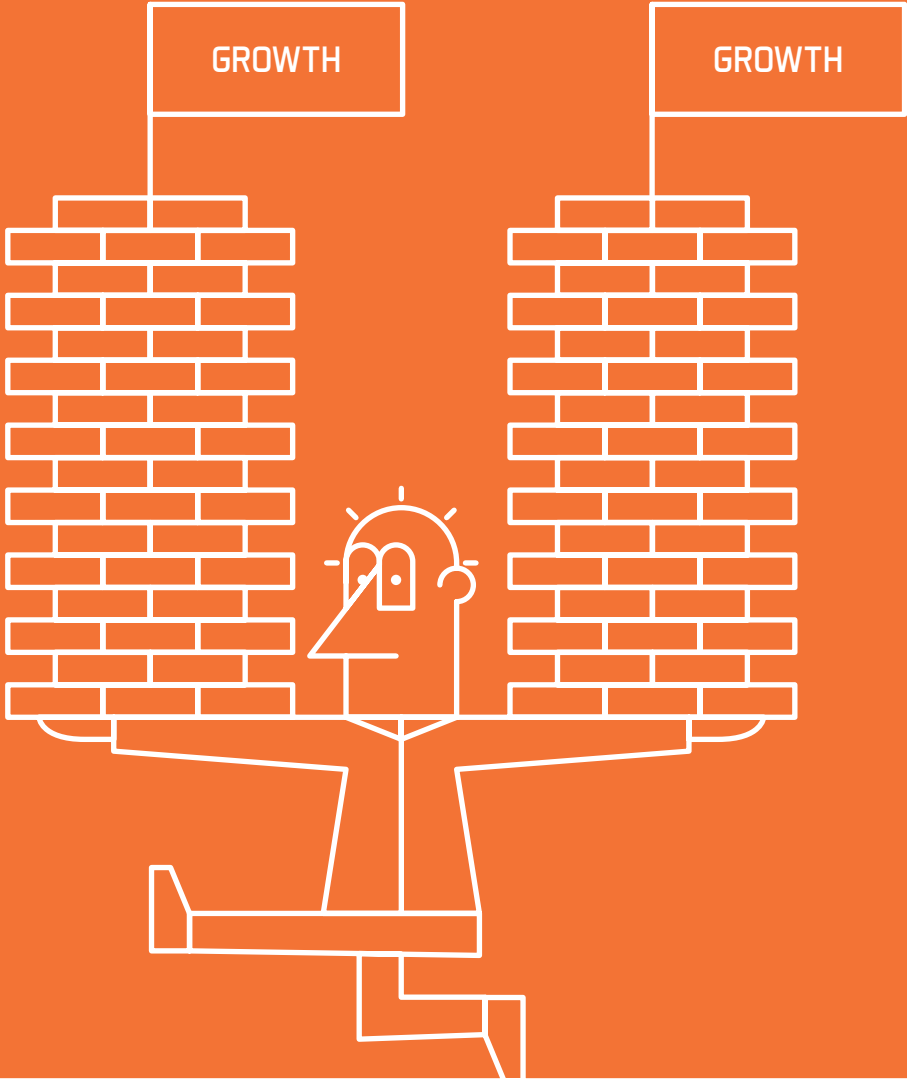
The final chapter of *The Growth Paradox* is new in this revised edition. Once an entrepreneur knows what needs to change, a final, very challenging step fol-

lows: implementing the reforms in the organisation. 'Change processes' do not always run smoothly. In all honesty, the phrase is a euphemism; after all, many change processes are very laborious and the percentage that are never fully completed is shockingly high. In Chapter 11, we lay the foundations for a sound change process in which the company is not only able to fully implement the intended changes as planned, but also comes out of it stronger and without conflict between different parts of the company.

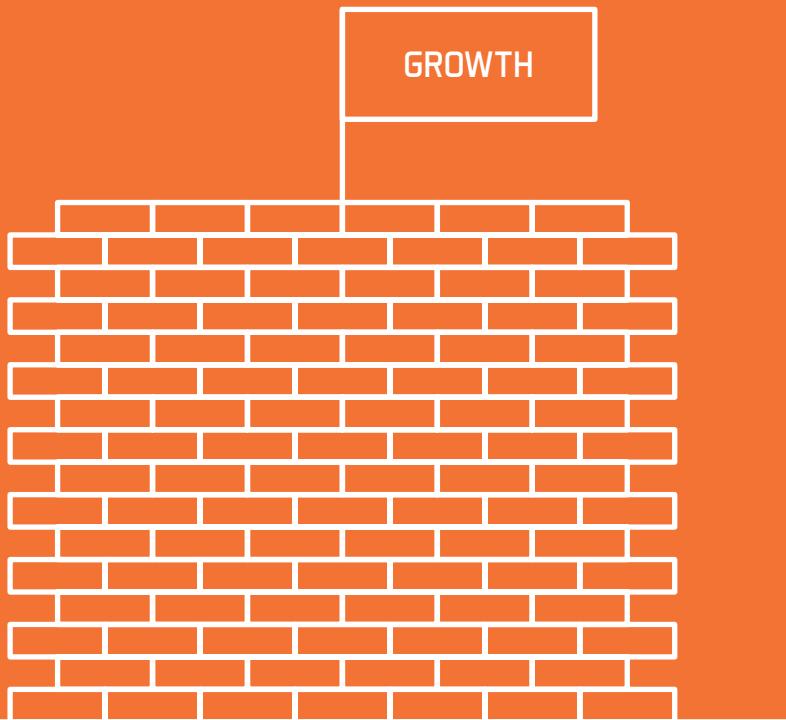
*“Problems in a company are not a sign of ignorance of the entrepreneur, but just an important signal of the opposite: after all, those who are good experience the most problems.”*



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# NO BUSINESS GROWTH WITHOUT GROWING PAINS



*“This book tells you how to recognise growing pains and take advantage of them.”*



**What problems are you experiencing?**

In nature, there are limits to growth.

Our instinct therefore tells us that the same is true of companies. But that isn't true!



**What is really going on?**

Unlimited growth potential? That's good news for the business. But it also puts a heavy burden on the entrepreneur's shoulders: if his joinery does not become an IKEA, it must be his fault! High time to step back.



**What can you do about it?**

Children have growing pains; so do businesses. But diagnosis is much harder for businesses than for adolescents.



Through the online platform,  
we offer additional content.

## What problems are you experiencing?

### Limits to growth?

In nature, there are limits to growth. Our instinct therefore tells us that the same is true with businesses. But that isn't true!

A mouse as big as an elephant, or an elephant as small as a mouse: there is no such thing in nature. All plant and animal species, including humans, have an ingrained 'ideal size'. Every species has dwarfs and giants, but these are deviations from the norm, the exceptions that prove the rule. And even then, the deviation remains limited; nature does not allow dwarfs a tenth of normal size, or giants ten times larger.

In Japan, they have elevated these exceptions to an art form: bonsai trees remain as small as a houseplant, thanks to the skill and patience taught by centuries of tradition. But that is the exception. Instinctively, we know that nature deals with what stays too small, or grows too big.

Unconsciously, we translate that instinct from ecology to economics. A small entrepreneur might think his business is an 'ideal size'. If he tries hard, his business will reach its genetic maximum, and at best become a very big mouse. Definitely not ten times bigger. If the small entrepreneur loosens up, his firm stays close to the genetic minimum, and remains a dwarf mouse. Definitely not ten times smaller. This, however, is a false equation, with insidious consequences – two, to be precise:

- One: it gives us a false sense of security. The 'ideal size' of our firm is the safety net. But in reality, there is no natural lower limit for a company: even if you have found the gap in the market, bad management can bankrupt your firm. And then your company is a dead mouse instead of a dwarf mouse.
- Two: it also limits your growth horizon in the other direction. You could say that Albert Heijn's father could not see beyond the level of giant mouse: Jan Heijn started as a corner grocer, and ended his career that way too, with his one shop in Oostzaan, North Holland.

## The Growth Paradox

Albert Heijn saw it differently, which is why, under his leadership, that same basic concept grew into the largest retail chain in the Netherlands, a multinational with branches around the world.

In other words, there is no 'natural' limit to your company's growth potential. For the sake of fairness, we should mention that a number of leading economists question that statement, including the renowned Professor Burgelman of Stanford. Not to worry: Burgelman has doubts about the further growth of companies that are already the size of a Hewlett-Packard or so. We assume you are not that far along yet!

**There is no natural limit to the growth potential of your business.**

Of course, growth potential is also sector-specific. A retail concept aimed at the broad consumer market, such as that of Albert Heijn, will probably grow faster in terms of number of branches, turnover and staff than an advertising agency offering more specialised services. But even in the latter case, there is a clear difference in scale between the independent soloist who produces leaflets at the kitchen table and the professional agency that has large national and international accounts among its clients.

Everyone will know plenty of examples from the first category – and some from the second. The essence of the story is that any small business in any sector has growth potential. The key observation is that this potential remains untapped in the vast majority of cases.

## What is really going on?

### **What works for small companies does not work for growth companies.**

Unlimited growth potential? That's good news for the business. But also a heavy burden on the entrepreneur's shoulders: if his joinery does not become an IKEA, that is his fault! High time to step back.



It is of course possible that the cabinetmaker wants only to remain just a cabinetmaker, and has no desire to grow into a furniture company. But if he has ambitions, the realisation that there is no 'ideal size', no natural limit for his business causes him to be saddled with enormous pressure. The current size and future growth of the business are suddenly a heavy responsibility that weighs on him alone!

A real entrepreneur is keen to take this problem by the horns, and so asks himself: 'What can I do to ensure that my business grows?' A fair question, but in fact a little too direct.

Do you know the French expression: *reculer pour mieux sauter*? Sometimes you have to take a step back to better leap forward. Looking for what can make your business grow is too narrow a solution. A more important part of the problem is to identify what is *holding back* growth. Often this is not a lack of ideas, but a whole host of other factors that inhibit progress.

After all, systems and processes that work well for small companies are often pernicious for growth companies. It's a phenomenon that is under-recognised. So the fundamental question should be: *What can I do to release the brakes on my company's growth?* That is the key question for business growth. And that is precisely where this book offers answers.

**The fundamental question should be: 'What can I do to release the brakes on the growth of my business?'**

## What can you do about it?

### Translate your growing pains into growth!

Children have growing pains, so do businesses. But diagnosing them is much harder for business leaders than for adolescents.

Growing pains are a good sign. That's true for companies too. They demonstrate growth. More to the point: a company without growth pains may begin to worry about its future. After all, in business, the motto is 'to stand still is to go backwards'.

However, the difference between a fledgling adolescent in a growth spurt and a small company in full maturity is sky-high. Even though the youngster often has aches and pains in a lot of places, the diagnosis is simple – growing pains! – and so is the solution: bigger clothes. And simply: patience!

In the corporate world, it often takes much longer for the right diagnosis to be made, and on top of that, the wrong solutions are frequently adopted.

**A company without growing pains should start to worry.  
After all, standing still is going backwards.**

We found this out during working visits to more than 1,000 companies, from sole proprietorships to firms with more than 1,000 employees, from companies that have been around for generations to brand-new start-ups. What stood out was the common thread throughout their growth problems. Often, these problems were not even noticed by the company managers themselves. And if they were, the entrepreneurs did not find a solution to them.

It was intriguing to note how almost all the entrepreneurs we visited had been struggling with the same problems. It was at least as fascinating to note that each entrepreneur felt that his problems were unique, and peculiar to his business. This book was born out of that observation.

Why are growing pains so common and so persistent? Business growth pains are insidious, as Matty Paquay knows from his practical experience. Like business growth itself, they don't usually come overnight, but arise and grow gradually. As a result, business leaders – and their companies – have time to get used to the problem, and give it consideration in the management of the business. But there is one crucial difference between a growing company and an adolescent teenager. In the latter case, patience is indeed sufficient to solve growing pains. A business, however, does not have that luxury.

Very often, problems are not noticed until they start to cause pain. Only then do business managers start looking for a solution – commonly through self-diagnosis and self-medication. Like people who don't want to go to the doctor or dentist, they reach for painkillers that treat the symptom and (briefly) eliminate the pain, but do not eliminate the underlying problem itself. This kind of false solution puts you at risk of losing your health (or your teeth) as a patient; as a business leader, it can kill your growth opportunities, and maybe even finish off your business.

An adolescent can go to his parents (in theory, anyway), a patient can go to the doctor. But where should you turn as a business leader for a proper diagnosis of your firm's growing pains, and a useful remedy for them? Firms often lack an answer to that crucial initial question, and we may assume that because of this we have missed out on a lot of home-grown multinationals.

In short, this book delves into some common growing pains of companies. First, you will learn to recognise them. And if you find them in your own business, you may congratulate yourself: well done, you have a growth business! Even more important is what this book teaches you next: how to recognise the causes and diagnose them correctly. From there, it will show you how to take your business to the next phase of growth!

*“Problems are often not noticed until they start to cause pain.”*

**The Growth Paradox is for entrepreneurs, as well as managers in growth companies**

This book is written with the Number One, the entrepreneur or CEO, in mind. Nevertheless, the observations, tips and advice in the following chapters are equally useful for managers in growth companies.

When a company experiences growing pains, they can spread to everyone working in the company. And not least to the individuals at the head of a department. They are often caught between hammer (the boss) and anvil (the shop floor).

*The Growth Paradox* helps managers better cope with that role, especially at times when growing pains push the pressure and chaos to the limit:

- The book helps give a clearer picture of the problems top management is struggling with. With this insight, the manager and his department can respond more effectively to the needs and expectations of top management.
- But more than that: every manager is also the ‘Number One’ in his department. In this role, the challenges and pitfalls are very similar to those of the entrepreneur and the solutions differ only slightly, sometimes not at all.
- Moreover, it is also rare for people facing similar situations to react in the same way. This is especially true for stressful situations.
- Last but not least, the manager who has mastered the principles in this book will also be an ideal sparring partner who can help the entrepreneur or CEO guide his company through the coming growth spurts.

The same degree of understanding, indeed the same language and terminology among all levels of management, works wonders in times when the right things need to happen quickly.