Creating value for SMEs

- The ins and outs of inflection points.

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INTRODUCTION

Introduction

We live in an increasingly competitive world in which a company's performance and relevance are constantly put to the test, yet it can be tough to find the indicators you need to successfully respond to volatility and uncertainty. And while the business landscape has become more and more complex – as we explain in our article - [The X-Dimensions of the entrepreneurial landscape] - our focus here will be one preliminary key aspect of that landscape: the business life cycle**.**

For example, it is normal for profitability to be low in the early stages of a business, but less so once a company is well-established. And there are other aspects that have to be considered differently at different stages of the cycle, such as leadership style, whether decisions should be made immediately or over several months, and how financial indicators are analyzed.

Systematically categorizing SMEs' growth models and the challenges they face is no mean feat. But if you look closely, companies do have to tackle similar challenges at similar stages of their development. So, what if those similarities could be used to create a *framework* that provides insight into the types of challenges that SMEs have to deal with – whether they have just a handful of employees or are bringing in millions of dollars a year? And what if that framework also integrated the factors that can drive a company's exponential growth?

This is what we have done with the S-curve life cycle, an approach first touched upon by Charles Darwin in his theory of evolution. Our framework not only categorizes the stages of a company's life cycle but also factors in the elasticity of time, providing some flexibility as to when the inflection points occur.

Inflection points are the points at which a company's growth changes pace throughout its life cycle. These points can be triggered by internal factors or by more widespread changes within the industry. Andrew Grove, one of the cofounders of Intel, described a strategic inflection point as "a time in the life of business when its fundamentals are about to change." We will look at how a company transforms as it evolves and how a company's value can follow an S-curve throughout its life cycle. In our analysis, we will focus on major transformations and look at the internal and external factors that can trigger these inflection points and the strategies and resources that can be used to successfully steer through them.

If you are an SME owner or leader, you will find these explanations particularly useful, as you will be able to use them to assess the challenges your company's is currently facing and make decisions accordingly. This approach could, for instance, help you think ahead so that you choose the right time to upgrade your IT systems or to hire a second level of managers in order to keep your company's growth on track. You could also use it to determine when and how to make organizational changes and to delegate operational or managerial roles as your company develops.

This article draws both on our experience in supporting companies in their transformation and on the research being carried out by our Entrepreneurial R&D team. It consolidates some of the concepts found in the specialized literature, together with the academic experience and continuing education of our consultants.

In this article, we also lay the foundations for some of the other topics that are key to a company's success – such as leadership, corporate governance, management and debt structuring – which we will cover in subsequent articles.

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I. WHAT USE IS A MODEL?

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Standard models do not factor in external disruptive factors – a real downside given the enormous influence that disruptive technologies and business models can have on a company's life cycle.

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The limitations of the models found in the literature quickly become apparent when you try to apply them to real companies.
The model commonly put forward for SMEs is **Greiner's growth model** (Figure 1).

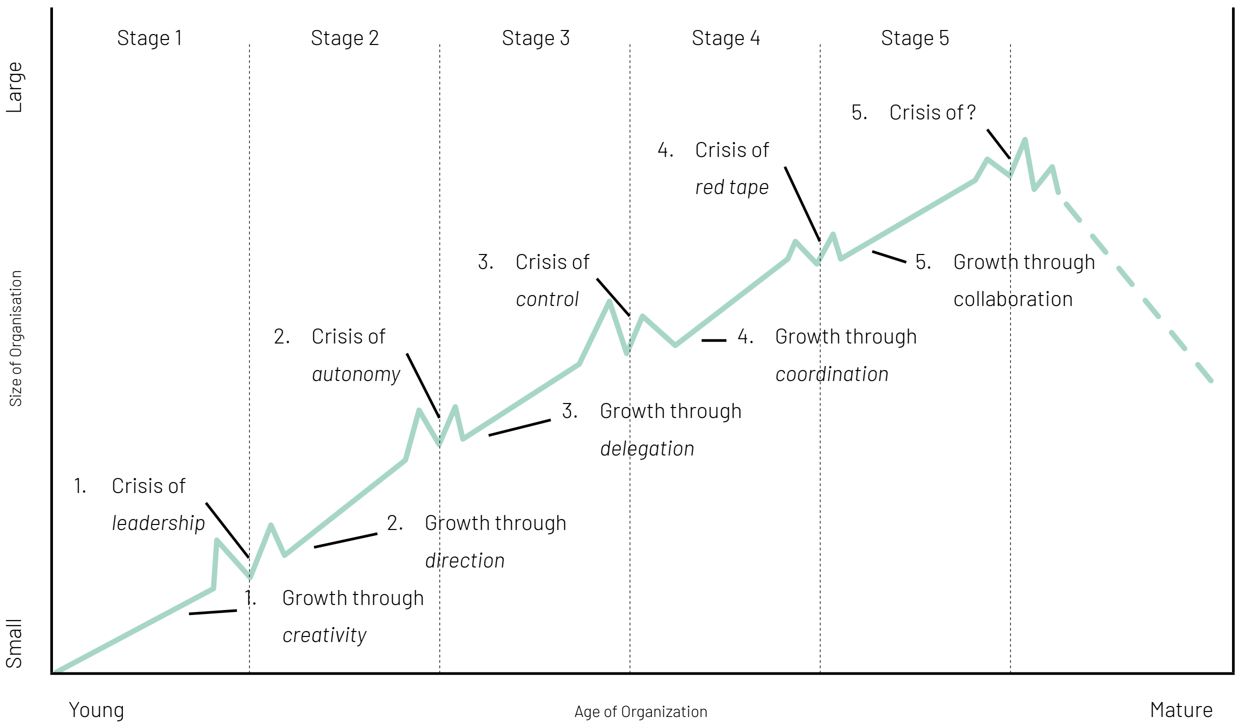

Figure 1: Growth model (Greiner, 1972).

Although this model is still very useful in many ways – and was most certainly in tune with the business environment of the 1970s, when it was created – its shortcomings become clear when you apply it to certain situations today. According to the model, the only options are for a company to successfully go from one stage to the next or to go bankrupt trying – there are no alternative routes. What is more, the model does not provide enough detail when it comes to the early stages of a company, and it does not include any of the intermediate stages of business development that we have identified in practice. Companies are also categorized based primarily on their size, without taking into account other aspects that have become increasingly important in recent years, such as how much a company relies on automation and digitization, whether it is a multi-site company, and the complexities of multi-product or multi-service companies. Lastly, the life cycle stages described in the model no longer reflect the dynamics of today's business world. The model suggests that the inescapable end awaiting a company is its demise, and it does not reflect the ever-faster pace of change or incorporate disruptive aspects – so we had no choice but to look for other models.

While the **improved version of Greiner's growth model** (Figure 2) includes another stage after stage 5, it only puts off the problem of knowing what will happen after that, and the other limitations still apply.

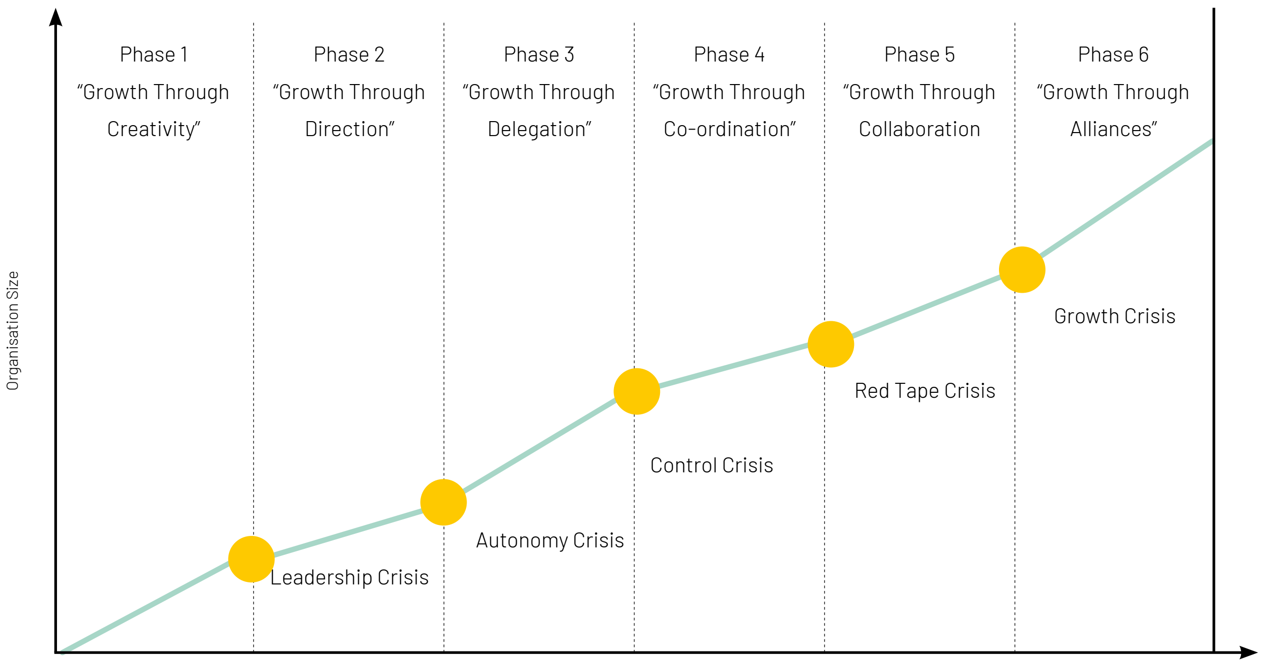

Figure 2: Improved version of Greiner's growth model.

A decade or so later, many of the shortcomings of previous models were resolved by **Churchill and Lewis's model** (Figure 3).

Growth Stages

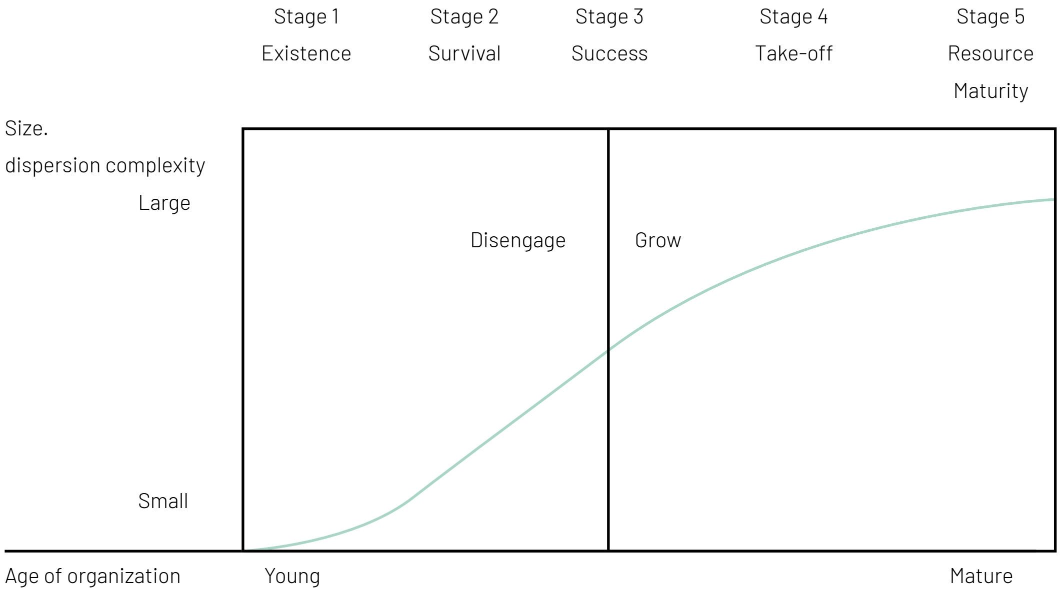

Figure 3: Churchill and Lewis's model – The Five Stages of Small Business Growth (1983) – HBR.

This model is useful because it offers alternatives for subsequent phases, provides practical tips for starting a business and factors in both the size of the company and its complexity and whether it is multi-site.

However, it still has some shortcomings. It does not factor in external disruptive factors – a real downside given the enormous influence that disruptive technologies and business models can have on a company's life cycle. Other external factors – such as accelerated market consolidation caused by mergers and acquisitions – are not taken into account in this framework. In the end, under Churchill and Lewis's model, the company either continues on a linear trend in stage 5 (resource maturity) or declines (ossification) as a result of complacency, but that does not reflect the transformations that we experience in the companies we support.

And while the model is an improvement, since it categorizes companies based on their complexity and their size rather than their size alone, it does not go far enough in a world where the trend is towards streamlining everything and minimizing resources while also providing – and even improving – products and services.

We chose to work with **the innovation lifecycle model developed by Lynda Applegate and described in a Core Reading published in 2015 by *Harvard Business School faculty*[1]**. The advantage of this model is that it is an effective practical tool for companies, thanks in particular to the following improvements:

- This new model frees us from the obsolete categorization of companies by size or complexity and puts the focus on company value instead. This means that we can correctly categorize SMEs that have sought to minimize their headcount and streamline their processes and infrastructure. In this way, the framework works for both digital companies and bricks-and-mortar ones too.
- In this model the moments of transition – described as moments of revolution between two periods of evolution in Greiner's growth model and as alternative crossroads in Churchill and Lewis's model – are represented as inflection points. This allows us to keep the notions of change and alternatives while presenting the transformation as a more natural adjustment, which is less traumatic for our business leaders and owners than the idea of a revolution.
- When thinking about the life cycle in terms of inflection points, it makes sense to consider the cycle as a series of S-curves that begin at each transformative inflection point. By integrating the need for a company to constantly adjust, this model resolves the issue of what happens after the maturity phase. Rather than leaving uncertainty about the future of the maturity phase with an unanswered "and then?", we are more realistic and admit that after each maturity stage, the company will have to reinvent itself, diversify and transform. This makes it possible to address the various internal aspects that are described in the previous models as ossifying and that stem from complacency, as well as the external aspects, such as disruptions, mergers and acquisitions, which can also be considered business transformations. Finally, we have now a stage that was missing in all the previous models, which is the turnaround – another transformation phase.

We take the model further, drawing on situations we have encountered with our customers and companies in our investment portfolio:

- The definition of company value in the innovation lifecycle is based on actual cash flows. In our use of the model, we mean by value the recognition of what a company brings to its ecosystem. It is a fictitious value that is only realized when a transaction takes place. For listed companies, transactions are frequent and transaction volumes are high, so the company value is usually reflected in the share price. For private companies, transactions only occur when major events take place, such as a sale, funding round, acquisition of a stake, or initial public offering. However, there are indicators, such as earnings multiples and projected market share, that can be used depending on the company's size, type and sector. It should be noted that the initial value was set arbitrarily at zero in the chart on Figure 4.

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[1] Applegate, L.M., Becoming an Entrepreneurial Leader, Core Readings: Entrepreneurship (Lynda M. Applegate, Series Editor), Harvard Business Publishing #8051, 2015.

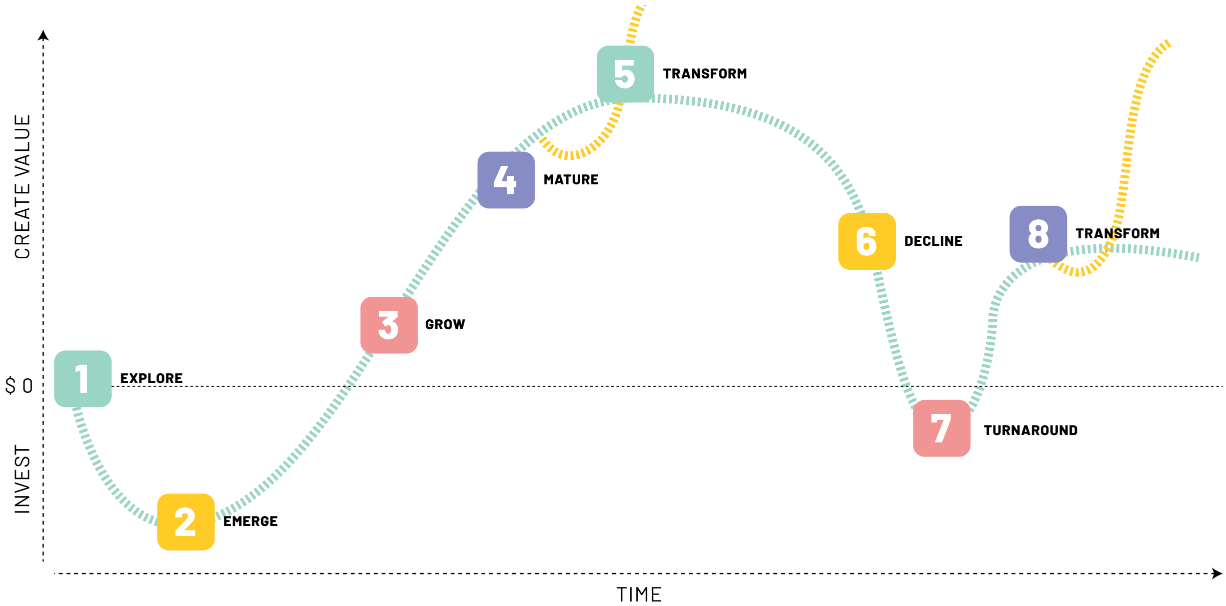

Figure 4: The S-curve model

- We take time to further develop each inflection point on an ongoing basis by classifying concrete entrepreneurial aspects as either *challenges*, *early indicators*, and *keys to success*.

We call this new *framework* simply the **S-curve model** (Figure 4). We've indicated in green the bell-shaped curve typical of a life cycle and in yellow the S-curve typical of a transformation.

Now that we have our model, we are going to look at each of the inflection points that a company might go through during its life cycle.

II. THE INFLECTION POINTS

II. The inflection points

As we are trying to be as pragmatic as possible for business owners and leaders, in addition to providing a simple description, we have also included the early signs that indicate that a company is nearing an inflection point, the challenges of each inflection point and the keys for successfully weathering each inflection point.

1 Explore — The most chaotic point – you are testing your model on the market to find the winning formula

2 Emerge — The first small victory – you have found the winning formula and now need to leverage it

3 Growth — Initial success – your model works so it is time to scale things up

4 Mature — Uncertainty arises – your model is no longer delivering growth

5 Transform — The most talked-about point – you are transforming your model to create new growth opportunities

6 Decline — The least popular point – your model can no longer keep your business going

7 Turnaround — The most intense point – you are revamping your model to return your business to growth

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1. Explore

During this exploration stage, you will start to define your company's product or service and test the market's reaction. That means finding out whether customers are willing to pay for your value proposition.

Description – The first inflection point is almost certainly the most difficult to describe. Each company's story is different: some companies started out in a garage, like Apple, Technogym, Google, Disney and Amazon, while others were created as side projects or began as a pitch to investors. But what we can take away from this initial Explore inflection point is that it requires an investment in terms of time, money or other resources. If your company doesn't make it to the ***Emerge*** inflection point, then you will have to start over.

Early indicators – Given that there are multiple ways in which a business can begin, there can also be several types of indicator. The common denominator, however, is that the interest garnered must be strong enough to move the business forward – whether that comes from the founders' determination, or investment from friends and family or institutional investors. One or more people have to believe in the project and get the ball rolling.

Challenges - The challenge is to get the company growing in value as quickly as possible and keep the period during which the company is simply consuming resources to a minimum. For SMEs whose value is based on their earnings, income has to quickly exceed expenses. For startups whose value is based on market share, customer traction must be obtained quickly. In short, the main challenges are: (i) getting enough clients, (ii) delivering the expected product or service, and (iii) doing that in a way that is viable for the company.

Keys to success - To get enough clients, it is important to listen to the market and adapt your company's go-to-market strategy accordingly. During this exploration stage, you will start to define your company's product or service and test the market's reaction. That means finding out whether customers are willing to pay for your value proposition. The term usually used in the startup world is *Minimum Viable Product (MVP)*, and each iteration of your product or value proposition is a pivot towards the MVP.

The company will also have to work in sync with operational teams to fulfill customer satisfaction requirements, ensuring that the pivots are implemented in a way that keeps customers happy.

Of course, a very clearly defined business plan is essential for monitoring this phase and ensuring that everything is done in a way that is viable for the company. You will also need to ensure that your company has the necessary cash, either by generating it internally or through successive funding rounds, which will only be successful if you can demonstrate that your product or service has gained in value.

As the number of startups has increased, a growing range of professional support for this initial phase – including startup labs and incubators – is available. Although this is still the stage with the lowest success rate, there are ways to reduce that business risk. Success rates increase considerably, for instance, when a company uses a concept that has proved to be viable and the focus is therefore more on execution.

2. Emerge

Focusing first on finding the Product/Service Market Fit and then on minimizing the effort has proved to be the most successful approach here. This entails fine-tuning the MVP until you have found the "external sweet spot", i.e., you have a product or service that dovetails with customers' needs leading to a sharp increase in demand.

Description – The second inflection point is the first small victory for any business. The idea has caught on and the company is set to grow. You have found your MVP which is now generating enough value for the exploration stage to end and for the company to start growing in value. For companies whose value is calculated relative to earnings (the main indicators being top line and EBIT), the profits generated can now be used to pay off the initial investment. For companies whose value depends on market penetration – and here, the main indicators are number of users, recurring revenues, customer acquisition cost and churn – customer traction has become large enough for the company to increase in value and attract potential investors. As shown in Figure 5, the ***Emerge*** inflection point can lead either to the ***Growth*** inflection point or to a bell-shaped curve if the company is just successful enough to survive.

Early indicators – The challenges of the previous stage start to be successfully overcome. Once it becomes easier to obtain clients (i.e., a better conversion rate and minimized lead time) and the company is equipped to deliver the product or service in line with customers' expectations, then you have reached the ***Emerge*** inflection point.

Challenges – The first challenge is, of course, to get the company to grow to the point where its current value exceeds its initial value. In Figure 1, we arbitrarily set that value at zero, but the initial value can be several million if the startup received

venture capital. But whatever the figure, the company needs to reach a value above its initial one.
The second challenge is for growth to be strong enough not only for the company to survive but also for it to reach the next inflection point and expand even further.

Overcoming the first challenge without overcoming the second will lead to the life cycle illustrated in Figure 5. In this case, the company reaches a level that enables it to survive. If there is no growth potential, the most common outcome for a startup that is in survival mode and whose value is based on market penetration is an acquisition by a major industrial player interested in the market share already acquired. For other SMEs, the company will have demonstrated that its model is viable and that it can turn a profit, and it will be closed or taken over when the owners withdraw. This is often the case for businesses like hair salons, restaurants, butcher's shops and bakeries.

But if the company overcomes both of the above challenges, it will reach the ***Growth*** inflection point and find its *sweet spot*, a sports term that is increasingly used in the business world to describe the area – like that on a tennis racket – that can generate the most power for the least effort. We will break down the *sweet spot* – or *Value Proposition Market Fit*, as it is also known – into the *external sweet spot* (or Product/ Service Market fit) and the *internal sweet spot* (the minimum effort).

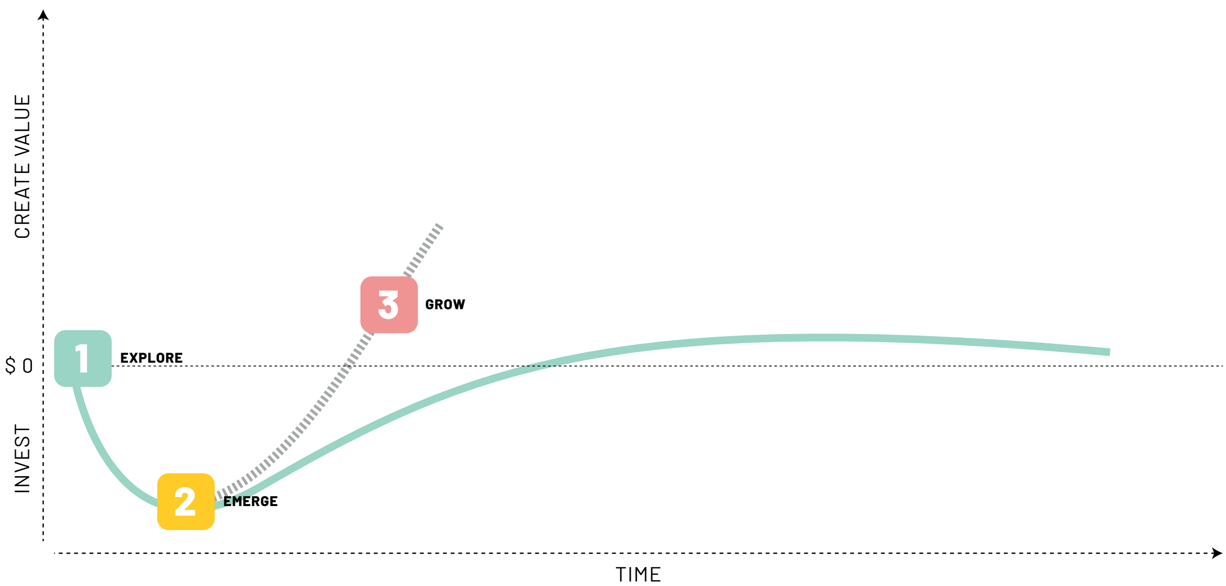

Figure 5. ***Emerge*** *inflection point leading to a survival stage without reaching the following inflection point,* ***Growth****.*

Keys to success – Focusing first on finding the *Product/Service Market Fit* and then on minimizing the effort has proved to be the most successful approach here. This entails fine-tuning the MVP until you have found the external sweet spot, i.e., you have a product or service that dovetails with customers' needs leading to a sharp increase in demand. To achieve this, you have to know how to pick your battles. You will have to make sure that you prioritize finding that external sweet spot over the customer's other demands. But that does not mean ignoring those other demands completely – customer satisfaction is essential after all. Instead, you need to focus on the aspects of your product or service that you want to expand and work out whether your customer's demands stem from a shortcoming in your offering or are a one-off request. If they come from a shortcoming, it is a great opportunity to enhance your MVP in order to create a real product/market fit. If it is a one-off demand, you have to make sure that you do not use up resources that are essential for growing your core business offering, and you have to negotiate with the customer so that you have specific resources to meet their needs and can ensure that they remain satisfied overall.

In addition to knowing how to pick your battles, it is important to have the flexibility needed to pivot. You will only be able to constantly adjust your offering if your company can make real-time decisions and implement those decisions flexibly, knowing that you will most likely have to change course again in the following weeks. To sum up, successfully getting from the ***Emerge*** inflection point to the ***Growth*** inflection point is about striking the right balance between maintaining an overall vision and pivoting flexibly.

At this second inflection point, the company will either simply survive or it will be able to tap into real growth opportunities, having found the product/market fit that it can build on and, for example, reach a faster pace of growth at the next inflection point.

Want to find the right balance between maintaining an overall vision and pivoting flexibly? Let's see how to walk the talk!

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3. Growth

But some business owners or leaders will decide to take on a second challenge. They will reinvest the cash in what they consider to be a winning business model and will focus on achieving exponential growth.

Description – The third inflection point is critical. It is when the venture goes from being primarily about a product or service to becoming a company. While the previous ***Emerge*** inflection point represents a first small victory, the ***Growth*** inflection point is the first stage in a company's success. This inflection point can lead to an uptick in growth, which will result in the nice curve show in Figure 1 between the ***Growth*** and ***Mature*** inflection points. Alternatively, as shown in Figure 6, this inflection point can lead to more moderate growth, with the company continuing at cruising speed. This is what happens with lifestyle businesses – i.e., businesses that are managed with the primary aim of generating and maintaining a certain level of earnings.

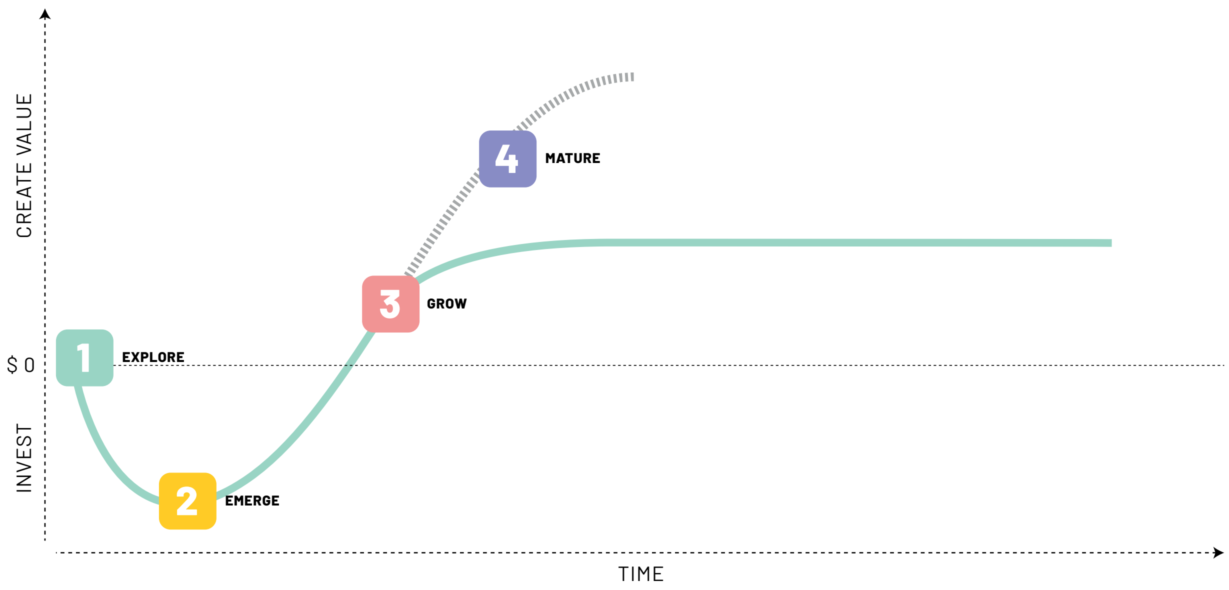

Figure 6. ***Growth*** *inflection point leading to a more moderate growth stage, typically found in a lifestyle business.*

Early indicators – The first indicator is, of course, that the *Product/Service Market Fit* has been found. Another related indicator is referral, which means that satisfied customers are recommending your company's product or service to others. Another important indicator is when the negotiation phase has shortened or disappeared altogether because that means that the product or service meets customers' needs, the company is starting to build its reputation and price is no longer a decisive factor. One last indicator worth mentioning is that there is an increase in competition. The market has been identified, attracting new arrivals that create competing startups, or existing companies join the market by rolling out a similar product or service.

Challenges – The main challenge is to find the internal *sweet spot*. That means achieving *operational excellence* so that the product or service can be delivered as efficiently as possible. Finding the *internal sweet spot* may require you to make changes to the product or service (i.e., the *external sweet spot*) in order to strike the right balance between the best possible offering relative to the market's needs and maximum efficiency, thereby creating the *overall sweet spot*. Overcoming this challenge will enable the company to achieve the *lifestyle business* level. The owners may decide that they are happy with that level of income and use the dividends to start other business projects or to fund their lifestyle. In that case, they will not use the cash generated to reinvest in their business model and achieve exponential growth. The most obvious examples of this approach are local law firms, IT companies, communications agencies and construction companies that have decided not to expand their business model.

But some business owners or leaders will decide to take on a second challenge. They will reinvest the cash in what they consider to be a winning business model and

will focus on achieving exponential growth. For startups whose value is based on attainable market share, both challenges may be taken up by the startup itself, or the startup may decide to take on the first challenge itself and opt to be acquired or enter into a partnership in order to overcome the second challenge.
Keys to success - Optimizing the company's efficiency will entail optimizing resource use, looking at indicators such as the Return On Capital Employed, or ROCE. Without going into the technical details, this means that you, as a business owner or leader, will have to improve the cash generated by your company by looking closely at how quickly it receives cash from customers (the Day Sales Outstanding, or DSO), how quickly the company pays suppliers (Day Payables Outstanding, or DPO), and how costs are minimized in order to maximize returns.

That could mean making changes to the product or service, in which case it will be important to monitor customer satisfaction and ensure that it does not decline based, for instance, on the Net Promoter Score (NPS). Here, you have to strike the right balance between optimization and customer satisfaction – or in other words, you have to find the *sweet spot.*

To overcome the second challenge, which is to achieve exponential growth, you have to make sure that you come up with a business model that is replicable. If you can replicate your core business model, then you have a scalable formula that you can use to generate the required growth. This phase is also known as *Scale-up.*

You will also have to make sure that you have the right set-up to be able to withstand strong growth. Our article on the many facets of the business landscape - The X-Dimensions of the entrepreneurial landscape - will provide more details on all of the critical components for a company. As a sneak peek, some of the major success factors are: building a talented team; fostering a growth-oriented culture; setting up an appropriate structure that gives employees autonomy and ensures control over revenues and any possible deviation from forecasts; making optimal use of technology, digitization and automation; and setting clear priorities at all levels of the company.

Leadership style is also important. A lifestyle business does not require the same leadership style as a company that has decided to shoot for exponential growth. Over the past ten years, there have been several well-known examples of companies that have achieved impressive levels of exponential growth, which is also known as scaling up. It is an inflection point that is hard to reach. It is also very challenging to transform a company with the goal of delivering exponential growth while also safeguarding the company's longevity.

Interested in identifying a replicable business model to achieve exponential growth? We can help you with that exciting growth stage!

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4. Mature

The main challenges are anticipating the decline and having the courage to act.

Description – This inflection point brings uncertainty as business leaders experience a change in the pace of growth. Working out what is really happening within the company will require an in-depth analysis. Companies can stagnate for internal reasons (e.g., internal shortcomings or bottlenecks that do not allow the company to grow) or external reasons (e.g., the market is saturated or going through a disruptive phase).

The market is saturated when your company has reached its potential maximum market share and the pace of growth has slowed; your company is at the ***Mature*** inflection point and is entering a flatter phase. During this stage, your company's bottom line will become more robust and cash will increase. The length of this stage can vary considerably. Some SMEs can keep this stage going for several decades without transforming or declining. But in a world in which change is increasingly fast-paced, the time scale is getting much shorter, and this stage can quickly lead to the ***Decline*** inflection point unless you know how to reinvent your company and reach the ***Transform*** stage.

If the reasons are internal, it is usually because you have reached a glass ceiling that can only be broken once the internal issues have been resolved (i.e., the ***Transform*** stage), otherwise the company runs out of steam (***Decline***).

Early indicators – Here, the early indicators are quite easy to spot. They include a slowdown or stagnation in growth, either in terms of market share or revenues. One factor that can be used to determine whether that leveling off is the result of an internal or an external cause is the reason why new orders have flattened out. If the stagnation is not because of a decline in demand from clients but rather because the company is prioritizing other things and not addressing all of its customers' needs, then that stagnation is the result of an internal shortcoming, whether intentional or not. And if the stagnation is because of a decline in orders, then the market is nearing saturation – e.g., customers want to diversify risk and limit the volume from each supplier and there are no more potential clients – or the product or service has become obsolete, as the previous *product market fit* is no longer relevant – e.g., a disruptive technology now offers a better product or service.

Challenges – The main challenges are anticipating the decline and having the courage to prevent it, that is, the courage to actively decide what the company will do and what it will not endure, and the ability to anticipate the early indicators of a potential decline, as described later in section 6 (6.Decline).
If the plateau stems from an external limitation that causes the company to *underuse* its resources, it is important not to fall into the trap of complacency. At that point, the indicators may still be green if the company is running but going through a period of inertia.
And if the company is in *overdrive* – a situation caused by an unknown internal limitation–, it is essential to get rid of any bottlenecks and ensure that employees do not *burn out*.
The effects of not making decisions – or of making bad decisions – will not be felt directly. But the later you realize that corrective measures are needed, the harder it will be to implement them. And you also have to take into account that the impact of those corrective measures will not be felt immediately either.

Keys to success – To put it bluntly, it is about not being complacent! Success and currently solid results can tempt us to rest on our laurels. But it is important to stay alert and keep up to date about what is happening outside the company. If you are **hyperaware**, you will be able to analyze the situation, focusing on competitive and disruptive intelligence. Proactively putting in place diversification and innovation policies will make you better prepared for constant change.

And it is just as important to know what is happening within the company. Having an outside view will ensure that the latest developments are fully leveraged by the company and that internal limits are strategic choices rather than unintentional bottlenecks.

The ***Mature*** inflection point and the resulting leveling off can be a rewarding time but also a very stressful one for a business owner or leader. Results are consistently good and you have the impression everything is under control. But for how long? Whether you are heading for a ***Transform*** or a ***Decline*** inflection point will depend a lot on how you address that question. Actively seeking answers and taking measures is more likely to lead to a transformation, while a more passive attitude and stalled decision-making could well lead to a decline.

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5. Transform

While the context is very different, there are some major similarities between the Transform inflection point and the Explore, Emerge and Growth points. That is why disruptive transformation is often easier for newer companies than for well-established ones.

Description – This is the inflection point that has received the most coverage in the business press in recent years. In terms of a plateau due to external factors, there are many examples of new companies that have disrupted a market but very few examples of existing companies that have been able to transform in order to initiate or even ride a disruptive wave. However, when it comes to a plateau due to internal factors, there are more examples of companies that were able to transform in order to free up their potential, although that can also be a major challenge.

Early indicators – If a company transforms because it caught the early signs of decline, then those early signs will be the same as those described in section 6 (6.Decline).

If the transformation is proactive, the early indicators are either awareness of an internal shortcoming that is not a strategic choice or awareness of an external change that will require the company to adapt too. External indicators are mainly signs of disruption (to business models or technologies) or signs of market consolidation. Internal indicators, on the other hand, can be a bottleneck or burnout as described above.

Challenges – What is different about the ***Transform*** inflection point is that it actually combines three inflection points in one: an explore inflection point, then an emerge inflection point as the transformation takes shape, and finally a growth inflection point as the transformation takes effect. For a successful transformation, you will have to overcome different challenges at each of these intermediate inflection points which, as I am sure you have guessed, are variations of the ***Explore***, ***Emerge*** and ***Growth*** inflection points described above.

Another - and by no means minor – challenge is keeping the company's identity, its DNA, intact throughout the transformation process.

Keys to success - At this stage, it is important for the company to be structured in such a way as to cultivate creativity and collective intelligence internally. This will make it easier to ensure that the company has the flexibility to transform in the right way and can pivot, as described in the ***Explore*** section, while also keeping the use of resources under control. Once the type of transformation has been identified, it will be necessary to determine the scope of the transformation, prioritize resources, and plan the execution phase with your main stakeholders. In the same way that the right set-up is needed for the ***Growth*** inflection point, an appropriate set-up – in terms of human resources, structure and leadership – is also needed during a transformation.

To safeguard the company's DNA, it can be useful to work on the key reasons for the company's existence and refresh or redefine certain corporate statements, such as your company's purpose, vision, mission and values.

While the context is very different, there are some major similarities between the ***Transform*** inflection point and the ***Explore***, ***Emerge*** and ***Growth*** points. That is why disruptive transformation is often easier for newer companies than for well-established ones.

It is understandable that, if the company has made it to the ***Mature*** inflection point, its leaders and owners will have turned their attention to aspects of management other than those that were center stage in the company's early days. What is more, it is easier to take risks when there is nothing to lose than when an entire company is at stake.

As you will read in our article on the many facets of the business landscape - The X-Dimensions of the entrepreneurial landscape - , it is important to factor in the company's organizational structure at this stage, to ensure that the company's creative spirit does not get bogged down in processes and rigid structures.

That can be achieved by creating spin-offs, like Alcoa and Arconic, through a restructuring, like Google did with Alphabet, or through independent innovation incubators. Whichever approach you choose, the article looks at how the entrepreneurial design of high performance jobs can provide the autonomy needed to foster innovation, create a fresh outlook, and give a second wind to the parent company.

Want to set up the optimal configuration for your company to move forward? Let's talk about it!

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6. Decline

The second early indicator is a repeated lack of flexibility when considering new ideas.

Description – This is, of course, the least popular inflection point. After achieving success and drawing on that for a certain period of time, the company is now in decline. It no longer generates value and has started to use up its resources.

Early indicators – There are some easily identifiable signs that a company has entered the decline stage, although they do not necessarily come early enough. The obvious signs include a drop in revenues, a drop in earnings and a loss of market share.

However, as when anticipating a ***Mature*** inflection point, there are other indicators that can be used to detect whether a decline might happen in the near future even if the other indicators are all reassuring.

The first such sign is a rise in resignations by key employees.

1. In the case of a plateau caused by external limitations, the company faces an underdrive configuration. Even if employees have attractive working conditions and everything seems to be going well, they are often the first to tell us – explicitly or not – that something is not right. Employees, and especially key employees, need to feel useful to the company and to have a sense of achievement in their work.
2. In the case of a period of leveling off caused by an unintentional internal shortcoming, the company is in overdrive and has called on employees to make up for the organizational inefficiencies. This can lead to fatigue and a lack of motivation among employees, and even cause burnout.

The second early indicator is a repeated lack of flexibility when considering new ideas. This does not mean that a company has to hold brainstorming sessions or have an innovation lab. But if the company is systematically closed off to ideas about how to optimize, improve or innovate, and if earnings are growing at a sluggish pace or stagnating, then the company may not be ready to prevent a decline.

Challenges – The first step is to stop the bleeding, and then to start growing again.

Keys to success – It is about knowing how to take decisive measures and provide a vision to work towards. It is very useful for teams to be given a strong signal that action is being taken and to be told what they should stop doing and where they should focus their efforts.

So you need to act in good time and be ready to change things that don't work anymore – and that means starting the ***Turnaround*** early enough.

Want to rediscover the magic of value creation?
Schedule your session to talk about it!

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7. Turnaround

And finally, it is important to rally everyone around a vision for the company. While the aim of the Turnaround might seem quite obvious, it is not enough to simply want to return to growth.

Description – This is the most intense inflection point. The company is in decline, losing value and using up its resources. The ***Turnaround*** inflection point consists of reversing that trend before the company goes under, and then getting the company back on track.

Early indicators – Here, an early indicator that the company will soon be back on track is that its owners and leaders have become aware of the need for change.
The second indicator is that, on top of being aware of the need for change, they are willing to make changes and take action accordingly.

Challenges – The challenge is therefore to get the company back to a place where it is creating value and find the *sweet spot* again, which will probably be different from the previous one. So, it is about playing down the negative side of a decline and bringing your offering and how it is delivered back in line with the market's needs.

Keys to success – The first thing is to be able to understand what is working and what needs to be changed. Some leaders think that they are the problem. But that is not the right way to look at things. Instead, you have to come to terms with what the company's assets and value are based on, and focus on your company's strong points. Then you have to determine what worked before and what is no longer suited to the current environment.

After identifying what needs to change, you have to draw up a viable action plan to set things right.

And finally, it is important to rally everyone around a vision for the company. While the aim of the ***Turnaround*** might seem quite obvious, it is not enough to simply want to return to growth. For a ***Turnaround*** to work, you need to work on your corporate statements and create a vision, mission and purpose for your company – just like at the ***Transform*** inflection point. These elements are essential for safeguarding the company's DNA, getting your employees' buy-in and giving your teams strength and motivation to bring about the change that needs to happen.

It is important to consider the ***Turnaround*** inflection point as another type of transformation. Of course, the stakes are not the same, since if you do not succeed the result is bankruptcy. But that should not become a constant obsession or cause your company to grind to a halt. It is just a stage like any other – with its challenges and solutions that will require your teams' hard work and dedication.

Winston Churchill said, "Success is not final, failure is not fatal, it is the courage to continue that counts." Contact us!

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CONCLUSION

Conclusion

The S-Curve model is a powerful framework that enable you to determine what stage of the life cycle your company is at and take account of indicators to help you make effective decisions. With the descriptions, early indicators, challenges and keys to success, you have all the basic tools you need to understand your company's situation and how to move on to the next stage.

This article should serve as a reference for business owners and leaders. It is based on our research and our experience, and it will of course evolve in line with the times. Our aim was not to go into complex models or provide an exhaustive review of all the academic research out there. Instead, we wanted to share a brief overview of the shortcomings of the models typically used and propose a simple framework that you can draw on primarily to help your company to progress.

In upcoming articles, we will look at the different dimensions of the business environment and how they evolve at each inflection point.

We hope you find these tools useful and that they will help you to move your company to the next level and leverage its positive impact on society.

The right team, the right skills and the right financing

To successfully navigate the S-curve, your company needs to have an effective team that can make decisions in time – we can help you achieve this with our C-Suite advisory service. You also need to make sure you have the right tools, the right know-how and the right methodology in place to move from one inflection point to the next – that's where our People Enhancement services come in. Last but not least, you will need to find resources and/or secure funding during your company's growth and turnaround phases. Intrigued by these exciting topics and keen to know how to apply them to your business?

We're here to provide you with tailor-made support.
Set up a free 20-minute consulting session now!

Contact us