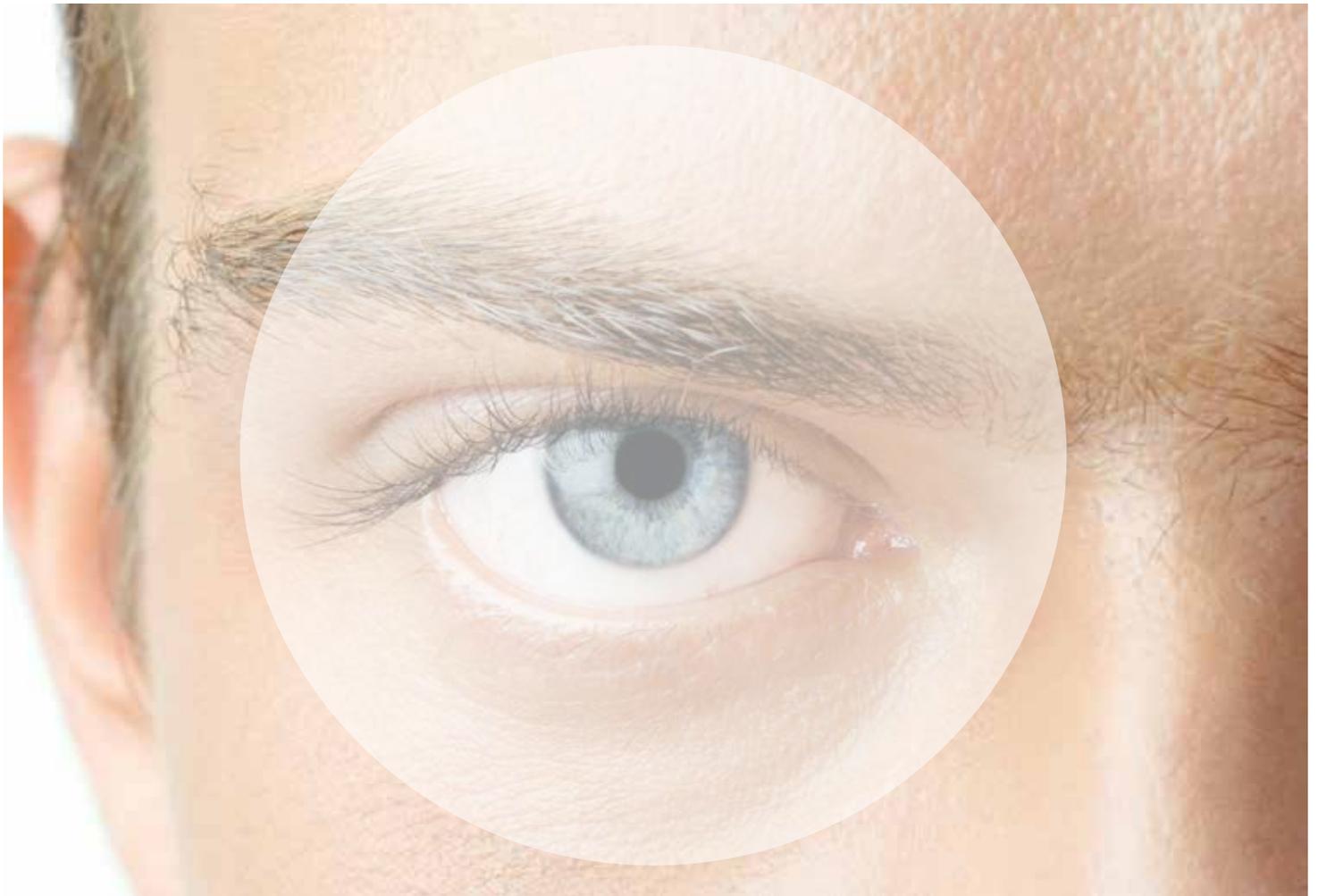


Insight Report

The Bold Ones – High-impact Entrepreneurs Who Transform Industries

September 2014



Disclaimer

The viewpoints expressed herein attempt to reflect the collective opinion of various individuals who have contributed to the research and development of this report; they do not necessarily imply an agreed position among them or institutional endorsement by any participating company or organization involved in the work or mentioned in the report, or of the World Economic Forum.

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Maria Pinelli

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High-impact entrepreneurs drive innovation. They spark the revitalization of mature industries as well as the creation of new ones. These individuals succeed thanks to their tremendous vision coupled with resolve and the ability to focus on the variables that drive effective business execution. As we have forged relationships with high-impact entrepreneurs around the world, we have discovered that they make a difference within society as well. They have the distinctive ability to challenge the status quo – to create opportunities others may not see or are hesitant to pursue.

The Bold Ones draws significant insights from our 2013 survey of US Entrepreneur Of The Year finalists into the ways high-growth companies exploit opportunities and overcome both business and economic challenges. We are excited to have partnered with the World Economic Forum, as well as Endeavor and Purpose.com, two organizations supporting entrepreneurs and new business models around the world, to release this report. We believe it will further the conversation among entrepreneurs, investors and policy makers on how high-impact entrepreneurs influence existing industries and create new ones.

The EY Entrepreneur Of The Year Program™ showcases premier entrepreneurial companies and recognizes annually those that make a difference. Former winners and finalists include the founders of Chobani, GoPro and LinkedIn. In 2013, the 51 Entrepreneur Of The Year country winners had combined annual revenues exceeding US\$32b.

Over the past three years, they have grown revenue by 56% and increased employment by 64% – creating much needed jobs.

As EY's Global Vice Chair of Strategic Growth Markets, I have had the privilege to work with high-impact entrepreneurs, trailblazers in their industries who generate significant economic benefits. Having worked with the world's largest technology companies of today when their founders launched their companies from their garage, I recognize that high-impact entrepreneurs are not only important to society for the benefits that they create, but to the progress of industries and economies.

Just over 20 years ago, the internet was emerging and the world did not include Amazon (founded in July 1994), Facebook, Google or LinkedIn. Yet these companies are now multi-billion dollar organizations that have created significant economic wealth, provide thousands of jobs and continue to spark innovation and deliver useful functionality that benefits society in numerous ways.

Whether it is better connectivity, ease of doing business or improving quality of life, high-impact entrepreneurs will continue to challenge our views of what's possible and lead us to new terrain. The world will become a better place for it.



Michael Drexler

Senior Director,
Head of Investor Industries,
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As the third report in a long-standing engagement with entrepreneurship at the World Economic Forum, *The Bold Ones* occupies a special place in our efforts. While previous work has looked at large-scale global studies, this work gets up close and personal with some of the most impressive entrepreneurs. We analyze what makes them successful, what their challenges are, and what they need to succeed. The result should be helpful to both entrepreneurs and those that want to help them succeed, policy makers in particular.

High-impact entrepreneurs are a class of their own, and we often forget how much we really owe to them. There is probably not a single day where we don't use a product or a service that a high-impact entrepreneur has introduced to society in the last decades. Yet, entrepreneurs never stand alone – a lot of those breakthrough products and services were first conceived in a government research facility, a university, or a large corporation. It is this interconnected nature that makes entrepreneurship such a fascinating endeavor. In order to thrive, entrepreneurs need the right support from policy makers, the right partnership with other enterprises, and the right financial and investor structure. High-impact entrepreneurship involves a network of actors in the best spirit of the World Economic Forum's multi-stakeholder framework.

The debate on entrepreneurship often focuses on jobs, and sometimes “apps” or IPOs. We believe this is too narrow and ultimately misguided if we want to harness the full benefits that high-impact entrepreneurs can create in innovation and customer benefits, societal impact, wealth creation (for themselves, their employees and often customers), and – yes – employment. Only by considering all those dimensions together can high-impact entrepreneurial ventures develop their full potential.

The report shows some interesting quantitative results – for example, the entrepreneurial ventures in this sample outperformed comparable equity indices comfortably by a factor of two. Between a mere 600 companies, they created nearly 1/20th of US jobs in the last two years. They grew aggregate revenues of nearly \$100bn by 30% annually for two years straight – in an environment where the overall economy grew at less than 1/10th of that rate. But even more impressive are the individual stories of entrepreneurs – buying a derelict yoghurt factory and translating it into \$1bn of sales eight years later, or turning a bootstrap solution of taking pictures on a surfboard into the US's dominant action video brand that allows millions to share their fun and achievements. In this report, they come together for a privileged glimpse into high-impact entrepreneurship.

This work could never have been done without the generosity of our long-standing partner EY, who gave us privileged access to very special entrepreneurs and expertise. I am personally very grateful to EY, Maria Pinelli and the Entrepreneur Of The Year team for making it happen. The work also benefited tremendously from the expertise and bandwidth that Endeavor Global and Purpose provided – both high-impact entrepreneurial ventures in their own right, who it has been a privilege to work with.

Twenty years ago, many of today's world-leading ventures were not yet born. It is a safe bet to think that many of the most impactful companies of 2034 are still a dream in someone's head. We hope that many of these dreams get realized, and that high-impact entrepreneurs continue to shape the world for the better.

Executive Summary and Key Findings

High-impact entrepreneurs stand out on almost all aspects – they grow faster, create more jobs, contribute more to society and transform industries to a greater extent than their peers. For those reasons, they are a subset of entrepreneurs worthy of study. In this report, we are able to draw for the first time on a private data set generously provided by the EY “Entrepreneur of the Year” contest. The over 600 firms in the sample give very interesting insights into the characteristics of high-impact firms.

This report is intended for those that want to better understand the “high-impact” phenomenon – entrepreneurs that want to turbocharge their enterprises to become part of it, or policy makers that want to better understand the needs of those companies and how to facilitate an ecosystem conducive to them. The report provides both analytical insights around the performance of high-impact enterprises, as well as small case studies sharing key experiences of successful entrepreneurs.

We find that the over 600 companies in the sample (1/10,000th of the total number of US companies) have created over 160,000 jobs in the last two years (nearly 1/20th of the total US economy). They have outperformed all comparable financial indices by a substantial margin and have created significant wealth for owners, employees, and in many cases customers. But they, most importantly, also have made a real difference to society through the power of their innovation and products – be it, for example, by re-defining yoghurt as a gourmet food in the US market, or changing the way people record and share their leisure experiences. It is those transformative contributions that are often overlooked in light of the hard metrics of financials and jobs – and yet they arguably make the biggest difference to society in the long run.

In order to quantitatively better understand those high-impact firms, we employ a life stage framework, and segment the sample into three sectorial groups – *Frontier* companies with a high technology/R&D component, *Traditional* companies that emphasize capital-intensive physical assets and processes, and *Service* companies.

- *Young* companies are in launch stage, defining their differentiated value proposition and focus on acquiring customers. In this stage, profitability often takes a back seat – particularly so for *Frontier* companies that display a classic J-curve of operating losses in their first few years. The other sectors are more cash generative, but for them too market capture is more important than profits.
- *Adolescent* companies are in scale-up stage, emphasizing processes and organizational robustness to deploy their competitive advantage across an increasingly widening customer base. At this stage,

Frontier companies enter the positive territory of the profits J-curve. *Traditional* companies extend their advantage, but *Service* companies seem to experience a higher competitive intensity (with reduction in margins) as their niche becomes visible and competitors try to capture it in an environment with relatively lower barriers to entry.

- *Maturing* companies have “made it”, focus on effective use of their sizeable resource base, and on generating the cash necessary to stay ahead of the competition. In this stage, the explosive growth of earlier stages starts slowing down. However, in absolute terms, job creation is highest in this and the next life stage – an important consideration for policy makers.
- *Adult* companies are facing the forces of creative destruction and focus on re-inventing themselves through part of their offering as they try to extend their capabilities. At this stage, operating metrics converge between all three sectorial groups into what seems a generic profile of a mature business with commensurate margins and the need for re-investment into the next round of innovation.

While generalizing from some 600 companies has obvious limitations, the “Entrepreneur of the Year” award winners offer some lessons for aspiring high-impact entrepreneurs

- Identify market opportunities or mismatches, and focus on niches – addressing them with an innovative business model.
- Have a strong vision and passion for the business, and communicate it well.
- Design a business that makes a positive impact in the community, and engage with policy makers to help shape their agendas.

For policy makers, the analysis offers food for thought on how to differentiate between the needs of various sectorial groups and how to best match them to existing ecosystem capabilities beyond basic requirements such as strong institutions, infrastructure and legal certainty. For example, *Frontier* industries will have high requirements on R&D infrastructure (such as universities) and need capital providers with a high risk appetite to finance the early life stages. Conversely, *Service* industries have lower demands on R&D infrastructure and a less risky early stage – but might be more vulnerable to competition later due to lower entry barriers.

In line with the Forum’s mission, this report hopes to stimulate constructive debate across multiple stakeholders, adding to an already impressive body in the field by other institutions from a unique data set. We look forward to that debate and feedback on this report, and will continue to explore the potential of disruptive and transformative entrepreneurship in our work going forward.

Chapter 1:

Introduction and Context

Entrepreneurs who innovate, transform, hold their nerve and revolutionize an industry — what do they do that outshines the rest? The founders of these firms marshal their forces along very different paths of innovation and job creation. A small subset of entrepreneurial firms create high-impact within their industries, and their achievement is worthy of study because their economic achievement and impact on society is so significant. In recent times, companies like eBay, Kayak, Google or Facebook have changed the way we shop, gather knowledge and interact with each other. And in the past, companies like Microsoft, Apple or Intel have profoundly reshaped whole industries and their ecosystems even shortly after their founding.

Why we are interested

This report forms the third phase of the World Economic Forum's research on entrepreneurship, following two earlier efforts:

- Global Entrepreneurship and Successful Growth Strategies of Early-Stage Companies, in collaboration with Stanford University and Endeavor Global, examined the dynamics of companies in the first five years of their existence. The research covered business strategies, economics and job creation.
- Entrepreneurial Ecosystems Around the Globe and Company Growth Dynamics, in collaboration with Stanford University, Endeavor Global and EY, analyzed what makes entrepreneurial companies successful in accessing new markets and scaling around the globe.

Both efforts showed strong concentration effects, in that a small number of companies is responsible for the majority of observed benefits – in job creation, the top 1% create 40% of all jobs, and in entrepreneurial ecosystems, a handful of “hub companies” defines almost the complete system. We therefore wanted to know more about what makes those companies special, and whether both entrepreneurs and policy makers could draw useful conclusions.

In addition to this curiosity driven by the World Economic Forum's previous research agenda, we also had a unique opportunity to analyze for the first time a data set generously made available by our partner EY.

An opportunity to examine successful entrepreneurs

Since its inception in 1986, the EY Entrepreneur Of The Year (EOY) program honors market-leading companies that exhibit strong growth and make their communities and the world better places. Participants in the program exhibit an ability to create new products and services, transform their organizations, enrich lives and contribute to the vibrancy of national economies.

The contest starts at the regional level, with 25 different competitions that select award winners. The submissions cover all industries as well as a vast diversity of company ages and business models. The regional winners then progress to the national level where the most successful companies become national finalists. For reasons of statistical significance, we restrict the analyses in this report to those stages of the contest. Among the national finalists, the single US national award winner is chosen, who moves to the World Entrepreneur of the Year contest where over 60 country winners compete for the global crown.

In addition to submitting a detailed overview of their business, each competitor in the EOY program undergoes a rigorous evaluation and interview during the finalist selection process. The group of entrepreneurs in this sample was judged by a panel of highly acclaimed business leaders, using the criteria of

- entrepreneurial spirit,
- innovation,
- personal integrity,
- financial performance,
- future plans and strategic direction,
- employee retention and employment practices,
- market impact,
- community impact and
- social responsibility.

This makes the winners prime candidates to be high-impact entrepreneurs, and the program a unique sample to study their attributes. Past winners of the award include Scott McNealy of Sun Microsystems (1987), Michael Dell of Dell Computer (1989), Herb Kelleher of Southwest Airlines Corporation (1990), Howard Schultz of Starbucks (1991), Jeff Bezos of Amazon.com (1997), Sergey Brin and Larry Page of Google (2003), Reid Hoffman and Jeff Weiner of LinkedIn (2011) and Hamdi Ulukaya of Chobani (2012).

The data analyzed in this report stem from the most recent survey of program participants along both quantitative and qualitative metrics. While the survey was conducted for a purpose other than this report – and therefore holds some limitations – it represents a unique opportunity to identify some of the dynamics affecting successful entrepreneurs. We are aware of a vast and impressive body of research on entrepreneurship, some of which we have contributed over the last few years, and many of it has provided excellent insights without our contribution. While analytical in parts, the report is primarily intended for entrepreneurs and policy makers that wish to understand the “high-impact” phenomenon better and want to engage with it. While we naturally hope to add to the body of knowledge in the space, we do not want to rival ongoing scholarly work by excellent institutions. Our interest, in line with our mission, is to improve the state of the world – for which we need all parties to engage in well-informed dialogue.

Chapter 2:

High-Impact Entrepreneurs – What they are and why they matter

It is a well established fact that a small percentage of entrepreneurs create disproportionate benefits. This is usually recognized in job creation, but applies equally to other aspects of entrepreneurial impact. Classical definitions, such as the one used by the Organization for Economic Development (OECD) usually focus on revenues and employment as an outwardly comparable measure to comprise

- 20% or greater annual growth in revenue and
- 20% or greater annual growth in employment

over a three-year time period for enterprises with 10 employees or more. We will use this definition later in the report for quantitative analyses in chapter 4, as it allows for easy comparability across different business models. Our sample of 628 companies contains 189 (or 30%) such “high-impact” enterprises.

In Fig. 2.1, we compare them across three key financial metrics. It can be seen that high-impact firms, plausibly for the sake of growth, sacrifice some profitability compared to their peers. This, combined with a comparable capability to leverage their asset base, yields to a slightly lower RoA – but arguably the future outlook from those higher growth rates will be worth the short-term sacrifice.

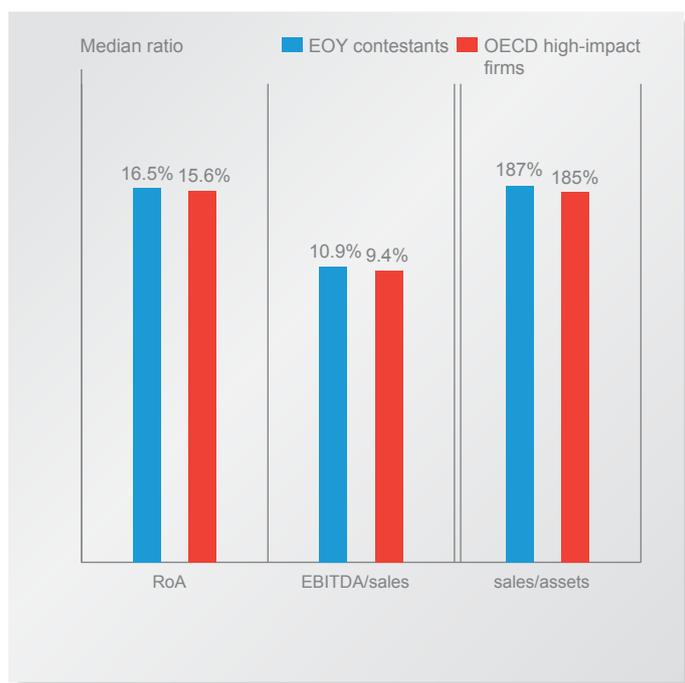


Fig 2.1. Comparison of OECD high-impact firms with EOY contestants

The Pioneer of high-impact entrepreneurship

by Linda Rottenberg, CEO and Co-Founder, Endeavor

Entrepreneurs who have the desire and potential to create truly scalable businesses are rare. Even in the US, the vast majority of small businesses owners do not want to expand or hire new employees. Unfortunately, when policy makers talk about “entrepreneurs,” the small business owners who don’t want to grow are often grouped together with the rare founders who scale companies.

Endeavor coined the term “high-impact entrepreneur” ten years ago to help differentiate between the different types of entrepreneurship. By “high-impact” we mean individuals with the biggest dreams, the greatest potential to create companies that matter and grow, and the highest likelihood to inspire others.

Endeavor focuses on the scale-up, not the start-up, because that is where we think the highest job and wealth creation happen. Studies have shown that it doesn’t take many high-impact entrepreneurs to change a city or even a country. Endeavor is dedicated to supporting high-impact entrepreneurs and is leading the global movement to catalyze long-term economic growth by selecting, mentoring and accelerating the best high-impact entrepreneurs around the world. In supporting this report, we believe that more attention is needed to support the work of these types of founders in the coming years.

However, while revenues and employment are clear validations of high-impact, we believe there is more to the story – even though it might not be as readily accessible to analysis as the hard metrics usually preferred. Looking at this broader picture allows for a fuller assessment of the value entrepreneurs create. We identify four dimensions that merit consideration, outlined in Fig. 2.2.



Fig 2.2 Dimensions of entrepreneurial impact

Impact on innovation/customer benefits

High-impact entrepreneurs are critical to the advancement of innovations and customer benefits. They do this by commercializing results from scientific R&D, with many examples of this in technology and life sciences. However, they also invent new business models or solutions to problems affecting consumers. Google is a good example of this – In 1998, Sergey Brin and Larry Page launched the company with a mission to organize a seemingly infinite and unstructured amount of information on the web. In only 15 years, Google has grown to over \$50bn in annual revenue and has been instrumental in delivering improvements that provide radically better access to information for both consumers and other businesses.

High-impact entrepreneurs find new sources of clean energy, create consumer products (food/beverage, apparel) or develop mobile applications to enhance the way consumers communicate and access information or entertainment. They invent or enhance business and distribution models that lead to lower costs for consumers – Amazon.com being a prime example of this.

In doing so, high-impact entrepreneurs often disrupt existing industries and create significant friction with incumbents that struggle to deal with the new competition – often a key challenge for young high-impact firms that requires significant determination and stamina from their founders. Of the many stories that entrepreneurs can tell, Richard Branson’s battle when trying to start a new airline (Virgin Atlantic) from scratch in an environment of nationally backed carriers has to be one of the more impressive examples, though by no means the only one!

Impact on job creation

The 628 companies studied in this report created approximately 162,000 net jobs over the most recent two-year fiscal period prior to the 2013 competition. This stands in the context of 150,000 monthly jobs created across the whole US economy (comprised of some 6 million companies) during the same time period. So a sample of 1/10,000th the total number of US companies has created 1/22th of the economy’s jobs – a good indicator for high-impact.

Even within the EOY sample, the successful companies contribute more strongly. Fig. 2.3. shows the relative job creation over 2 years for the whole sample, award winners and national finalists. Successful companies contribute disproportionately, with the 6% of companies that made it into the finals generating 26% of overall jobs.

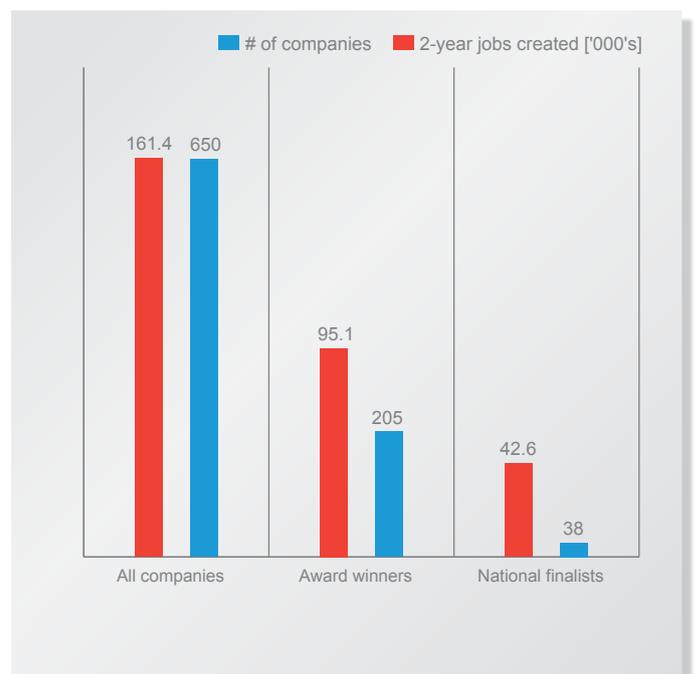


Fig. 2.3. Relative job creation over 2 years for EOY sample

Breaking down the EOY sample by age reveals that employment gains sustain momentum as these companies mature, reflecting their relative size compared to younger firms and their heightened focus on building out business infrastructure and scale to meet customer demand and new opportunities (Figure 2.4). It is a good illustration that when it comes to job creation, a narrow focus on early-stage companies would be misguided.

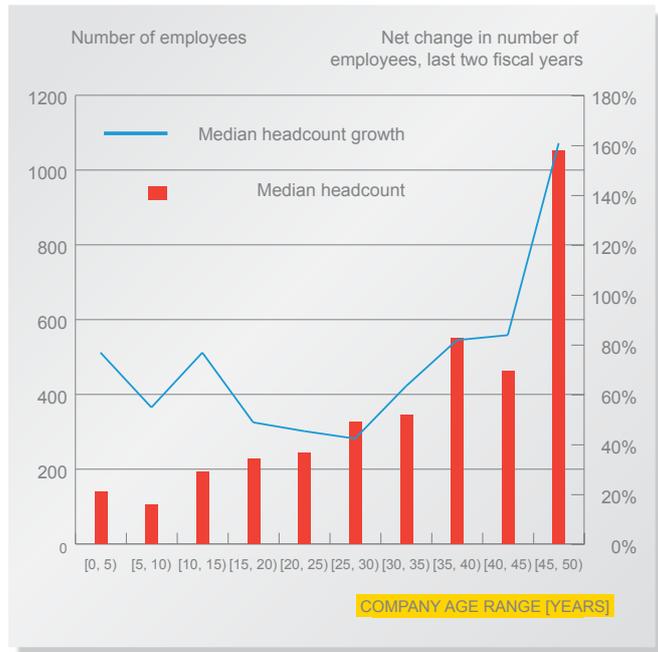


Fig. 2.4. Employment and job creation by company age

Impact on wealth creation

High-impact entrepreneurship creates significant wealth for successful founders – with a consistent two thirds of the annual Forbes Billionaires list having built their own fortune in this way. However, a hallmark of high-impact entrepreneurship is the vast scope and ambition of their enterprises that allow others to share in this wealth creation – early employees in technology firms being a good example, often with a significant impact on local economies. The recent effect of Facebook’s IPO on both the local San Francisco Bay Area economy as well as tax revenues is a good example. Of course, such wealth creation needs to be viewed in the broader picture of societal balance and is not always viewed completely positively by all stakeholders. On the borderline between wealth creation and customer benefits are companies like Lyft or Airbnb that allow others the productive use of underutilized assets. While not entirely uncontroversial, models like TaskRabbit or Amazon’s Mechanical Turk (or less controversially, eBay) also allow wealth creation among their users through the creation of marketplaces that had until then been non-existent or highly inefficient.

Impact on society

High-impact entrepreneurs often make a difference to society beyond their immediate business model or innovation – this is a particularly important characteristic, as many high-impact businesses operate in network economies (or even create them). While a company like Facebook has clearly changed the way we communicate and share stories with each other (a customer benefit), it has also created a whole ecosystem of developers that design features and applications for the platform. In addition, it has made it easier for interest groups to coordinate among each other, and therefore, arguably has a major influence on how societies govern themselves.

High-impact entrepreneurs often take an interest in society’s problems – targeting areas such as the environment, poverty reduction, education or sanitation. A whole field of “impact entrepreneurship” and “social entrepreneurship” has evolved over the last decades. Magic Johnson Enterprises is a good example of this trend (see box).

A crucial dimension of societal impact is the mentorship high-impact entrepreneurs can give both peers and to future generations. In fact, role models such as Virgin’s Richard Branson or easyJet’s Stelios Haji-Ioannou have impact far beyond their own enterprises on whole generations of budding entrepreneurs. Endeavor finds such effects to be of crucial importance when creating entrepreneurial ecosystems in emerging markets, and has made them a core principle of their operating model.

Magic Johnson: another assist – creating jobs, wealth and societal benefits by targeting underserved markets

As one of the most successful athlete-businessmen in the world, Earvin “Magic” Johnson, former NBA legend with the Los Angeles Lakers, makes his work look effortless. But behind the magnetic smile, big hugs and amenable personality is a man who is always prepared to do what it takes to win.

Today, he runs Magic Johnson Enterprises, a power player and well-connected partner that has invested millions in AMC movie theaters, Starbucks coffee shops, private real estate funds, websites and magazines. In line with the company’s focus on ethnically diverse urban neighborhoods and African-American families, its latest venture is a new cable channel aimed at a community few thought to consider profitable — until Johnson pointed the way. “Here in America, you know, the minority community is growing seven times that of the general population,” he says.

“The dollar recycles, but in our community it wasn’t recycling,” he says. “People were saying, ‘I’ve got to go outside my community to spend my money.’” So Johnson opened Starbucks cafes and AMC movie theaters and shopping centers with grocery stores right in the urban communities that needed them. But he did it with an eye on the people who lived there. His risks have been calculated, careful and successful – but most distinctively, purposeful. Early on, he refused to back down when the investors he was courting told him, “We don’t care about urban America.” He kept coming back, as he recalls. “‘OK,’ they finally said, ‘we’re going to give you a shot, but you can’t have the US\$150m you want. We’re going to let you have US\$50m. If you do well with that, come back and we’ll let you have the other 100.’ That’s when I learned to over-deliver,” he says.

Through a consistent mix of instinct, grit, on-the-job training and going the extra mile, Johnson has turned his brand into a multimillion-dollar business empire that includes Yucaipa Johnson, the country’s No. 1 minority-owned private equity growth fund, and Canyon-Johnson Urban Funds, a private real estate fund company dedicated to the development of projects in underserved communities.

When launching his south-central Los Angeles AMC movie theater in 1993, he met with gang leaders to assure the safety of his patrons. From Starbucks CEO Howard Schultz, he learned to watch carefully before acting and to honor his customers. He listened to community residents who were concerned that the bar at a TGI Friday’s he was inviting to his new shopping center would be a bad influence.

“I never get into anything unless I really do my homework and my research, and I’m going to be involved 100%,” he says. He learned this lesson through a series of influential mentors beginning with mega-manager Michael Ovitz.

In 2012, Johnson and an investor group purchased the Los Angeles Dodgers in 2012 for US\$2b. Johnson also launched a new cable network, Aspire, designed to appeal to black families. It rounds out the numerous ways he has both invested in — and reaped rewards from — urban America, all the while considering his broader mission as role model. “You can’t just make money,” he says. “You have to go back and give back and that’s what we’ve done. Through the Magic Johnson Foundation, we have 150 students on scholarship and we’ve built technology centers all around urban America. I love what I do and wouldn’t trade it for the world.”

This information is excerpted from EY *Exceptional* magazine (Americas Issue, January–June 2013). *Exceptional* is published twice yearly (January and July). More information about and additional issues of *Exceptional* can be found at ey.com/us/exceptional

High-Impact entrepreneurs disrupt the status quo and drive enhanced societal benefits

by Jeremy Heimans, Co-founder and CEO, and Kevin Steinberg, President and Head of Client Services at Purpose

This report examines multiple facets of high-impact entrepreneurs, looking at how innovative, entrepreneurial companies provide their customers with different, better tailored products; adapt to create jobs with new and different skill sets; and deploy capital (and create wealth) in effective ways in order to create considerable economic value. Often these innovations serve as a way for growing companies to capture market share and/or differentiate themselves in the crowded marketplace.

Societal or social disruption, however, is a different type of change in that the ensuing value creation tends to be more broadly dispersed, and is often largely external to the entrepreneurial venture. This value creation, in economic terms, can be viewed as a positive externality to the economics of the enterprise itself, and often results in expanded wealth, opportunity, or forms of economic empowerment to those neither directly employed by nor investing in the organization itself. Although definitions of *social entrepreneurs* are abundant, an interesting way to identify them in this context is through a lens of societal disruption, as a group of entrepreneurial leaders whose efforts are proactively changing society in profound ways. The intended societal changes tend to be progressive, empowering marginalized groups to become more economically or politically active, often making them harness their power as consumers, economic agents, or citizens. New technologies and methods of social interaction have opened up new avenues for such actors, and the term *New Power* has recently been used to describe the broader phenomenon of how society is changing from the ensuing new power dynamics.

Compelling examples of societal disruptors span the corporate, political and non-profit sectors. Airbnb, Lyft and other corporations active in the sharing economy are prime examples of corporate societal disruptors. By allowing individuals with unused apartments or cars to *share* their excess capacity, millions of new active participants in the ensuing ecosystems have emerged. This new dynamic has not only created very profitable, rapidly growing companies, but is sharing the value created well beyond the traditional models associated with the hospitality and transportation industries.

Political societal disruptors share a similar dynamic, of trying to bring greater participation and inclusion, but in another sphere. Although the Occupy and Arab Spring movements arguably have to date largely failed to bring about their intended changes to the relevant political systems, their ability to give voice to groups that felt disempowered is indicative of how new technologies and approaches can bring about political disruption.

The Wikimedia Foundation provides an illustrative example from the non-profit sphere. By democratizing and distributing the codification of encyclopedic knowledge through Wikipedia, its efforts have not only disrupted an incumbent industry, but provided access to many millions of people to the world's knowledge, as well as empowered contributors and editors around the world to participate in the process.

Purpose is a social business with expertise in creating and scaling these new kinds of participatory movements and platforms. Through our work launching groups like *Walk Free*, a 6 million person movement and global fund to end modern slavery, and *All Out*, the world's largest grassroots LGBT rights movement, we have seen the profound transformative impact of societal disruption. Our work consulting to leading corporations, foundations and non-profits confirms how quickly organizations are seeking to adapt to this type of change and develop a "new power" constituency in support of their own missions. This report therefore highlights important lessons for all organizations, not just rapidly growing ones. The dynamics around societal disruption are relevant to all, just as innovations in product, job creation and capital deployment are.

Chapter 3:

Life Stages of Entrepreneurial Ventures

When thinking about the evolution of high-impact ventures, it is helpful to consider a generic life cycle framework. As successful entrepreneurs know well, a company's needs change significantly with the maturity of the business. Good entrepreneurs therefore keep an eye on different aspects of their business, depending on its life stage. And while this applies universally to all entrepreneurial ventures that pass the test of time, the EOY contestants confirm that high-impact entrepreneurs have a sharper focus and awareness of their company's life stage needs, allowing them to react to challenges more quickly and precisely.

A general-purpose framework...

Many frameworks exist to guide entrepreneurs that have been developed and explored by academics and practitioners alike. There is no absolute truth, nor will there likely be one, and all frameworks have some inherent simplifications or limitations – but in both the experience of EY and other contributors to this project, a life stage model with four phases has proven useful as depicted in Fig. 3.1.

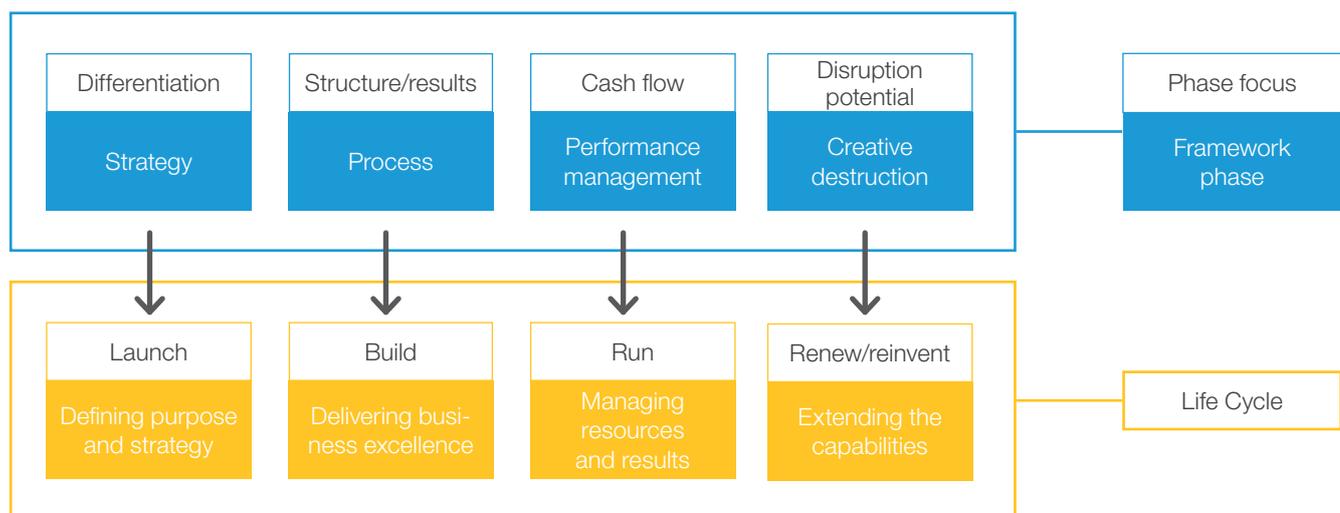


Figure 3.1: Life stage framework for entrepreneurs.

Can you Launch?

At this stage, high-impact entrepreneurial firms begin to distinguish themselves through a clear strategy and vision, coupled with strong product or service differentiation. Successful companies focus on the market and the acquisition of and obsession with customers. Capital efficiency and lean operations are also positive attributes for the youngest entrepreneurs. A bold vision can be a double-edged sword – the most disruptive entrepreneurs will already think on a globally disruptive scale (Elon Musk being a good example), but they will need to balance vision with the necessary constraints of the early stage. This phase is often referred to as “start-up” in other frameworks.

Can you Build?

Solid business strategies and differentiated offerings underpin the long-term potential of high-impact entrepreneurs. But they must have the capacity and discipline to develop innovative strategies and sound business processes. Higher growth companies demonstrate the intelligent and deliberate alignment of resources to their respective business strategies and customer offerings at this stage, and focus on strengthening processes earlier than others. In this “scale-up” phase, as other frameworks often call it, the tension between entrepreneurial roots and institutional frameworks becomes apparent and needs to be resolved. For a practical example of this point, see the contribution by GoPro.

Can you Run?

This stage builds on the capabilities built in the previous two life stages, and marks the point where efficient operation of the enterprise to generate cash becomes a strong focus. Operating metrics and processes are fully established and performance management is now a priority. The company is firmly “on the map” of its sub-sector and in many cases becomes dominant. Structures are of an established institutional nature, and while growth rates can be significant, they will be less dramatic than in the previous stages. While companies can stay in this stage successfully for quite a while, they will be prone to disruption and share erosion if they don’t embrace the next stage.

Can you Renew and Reinvent?

There is no clean break between this stage and the previous one – but as companies reach their fully adult life stage, they will need to renew and reinvent themselves if they are to stay dominant by maintaining high-impact and growth. Firms grapple with the “Innovator’s Dilemma”, to quote Clayton Christensen’s eponymous book. They will re-deploy their cash into activities that allow for that process, and will have to make trade-offs between making new offerings ahead of the competition and cannibalization of their existing profit engines. Excellence in this life stage makes the difference between companies that survive for a long time (e.g., IBM or Apple) and those that fizzle out after having achieved dominance in one category (e.g., DEC or Silicon Graphics).

In presenting those life stages, we are of course keenly aware that no single approach will fit all companies and sectors and that they over-simplify some of the parameters for the sake of clarity – for example, cash flow can kill enterprises at all life stages and so will never be completely absent from entrepreneurial decision-making.

Tough questions

From an entrepreneur’s perspective, the life stage framework forces the entrepreneur (or his/her investors) to ask some tough questions of the company as it evolves through each phase. Again, those are not necessarily mutually exclusive, but have proven a helpful guide for the judges in the EoY contest:

- “Launch” – Market awareness and acceptance: What is new and distinctive about our market offering? Are we truly giving customer experience and innovation priority over efficiency gains? Are we adequately capitalized to exploit the opportunity?
- “Build” – Business processes: Do we have the right people? The right technology? Are we aware of the internal process risks that could undermine our business? Are we well equipped to grow and scale our idea?
- “Run” – Performance management: Are we picking and choosing operating metrics that make us look good? Does this make us a better company? Are we overlooking troubling indicators that may suggest weakness in our business model? Are we focused too heavily on raising capital?

GoPro: scale the business and focus on execution

In the mid-2000s, GoPro began to steadily grow and when the business really began to pick up, Founder and CEO Nick Woodman recognized he couldn’t do everything himself and sought help from beyond his inner circle.

“I kept the overhead low and didn’t hire many people,” Woodman says, noting that success came close to overwhelming GoPro’s original team. “I realized that I had to find people who could take the reins to scale the business and identify the different organizations we needed to build out.”

Bringing in outside talent helped transform the business. With a strong executive team in place, GoPro has rapidly built out its infrastructure, increasing headcount from 135 employees to more than 400 within the last year.

“My biggest challenge was learning how to go from being the leader of a very small team and small business to understanding how I needed to surround myself with people much more experienced and stronger than I was,” explains Woodman. Competency elevates a great idea to a well-run business.

This information is excerpted from EY *Exceptional* magazine (Americas Issue, November 2013). *Exceptional* is published twice yearly (January and July). More information about and additional issues of *Exceptional* can be found at ey.com/us/exceptional

- “Renew and Reinvent” – Potential to be disrupted: Are we becoming too confident about our business model and products? Has our innovation rate slowed down? Do we think of ourselves too much inside a static “industry vertical” (that exposes us to competition we don’t see yet coming)?

The time required for each phase can vary greatly from industry to industry. Some technology firms, for instance, will show a considerable lag from strategy to process to finally, performance management and cash flow generation. As an example, Facebook reported positive cash flow in 2009 for the first time, more than five years after the company was founded. Others will accelerate the progression and “pivot” at very early stages in their lives (e.g., Tesla’s recent decision to get deeply engaged in the battery manufacturing process rather than staying a pure-play car producer).

A human analogy

In the EoY sample, companies did not submit where in the life cycle model they see themselves. We therefore had to make some assumptions, based on a combination of their age and financial/operating metrics – fully aware that this overlays two layers of simplification, but data availability gave no other choice. In order to make this explicit, we chose a human analogy to describe the different life stages, according to the table in Fig. 3.2.

Life stage model	...translates into
Launch	Young
Build	Adolescent
Run	Maturing
Renew and Reinvent	Adult

Fig. 3.2. Life stage descriptions for EOY data set

While we have already expressed that the life stages will not always be clear-cut and will have variability by company, some general guidelines are likely to apply in different industries – for example, it will usually take less time to launch a consulting business than a biotech firm.

...Applied to the EOY universe

Participants in the EOY contest self-nominated into a choice of 21 discrete sectors, of which Fig. 3.3. shows a breakdown.

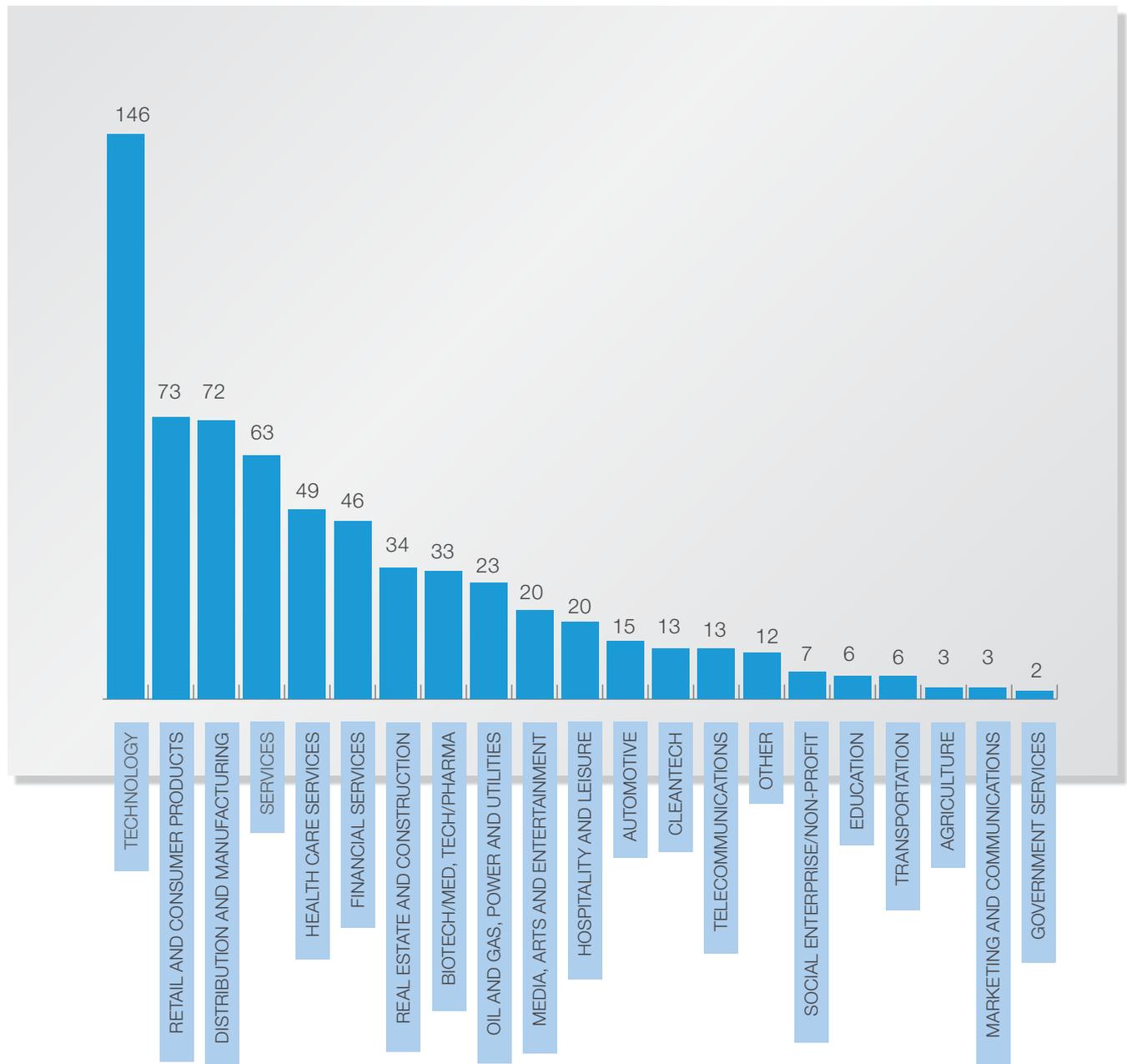


Fig. 3.3 Number of EOY Contest Companies by Sectors

For the purposes of our analysis, the non-profit sector and “other” were eliminated in addition to those who provided ambiguous answers on financial metrics, leaving a total of 628 companies in 19 sectors. It is clear that with a median 20 companies per sector, an analysis of the four life stages in each sector would be not statistically meaningful. On the other hand, combining manufacturing companies with biotech firms would likely result in an averaging over such wide ranges that the results would be meaningless. As a compromise, we decided on three industry groups:

- Frontier companies: These are companies that have a likely high technology or R&D component, with significant intellectual property. Capital and plant equipment are likely to be on the light side. Example sectors are Technology and Biotech. In these businesses, proof of concept and speed to market are initially important and explosive growth can be the result of developing sustainable new markets or products.
- Traditional industries: Conversely to frontier companies, those are likely to have higher requirements for upfront capital and plant equipment. They are also to require higher physical distribution infrastructure for goods, as well as potentially established competition in the same or an adjacent niche. These challenges can slow their initial advancement given the focus on market share and geographic or product expansion. Examples are Retail and Consumer Products and Manufacturing.

- Service industries: They are in a sense a “hybrid” of the other two, in that they have an intensive consumer interface (where often the key differentiator resides, rather than in R&D), but require less upfront capital investment. Example sectors are Education and Financial Services.

As in previous instances, we are very much aware of the necessary constraints this introduces, along two dimensions:

- Firstly, companies might not be clearly identifiable with one sector. For example, is Uber a transportation company (it involves cars), a technology company (its core is a real-time GPS location-based matching and pricing engine), or a service company (it provides no physical goods for customers)?
- Secondly, even within a sector, business models might be very different, leading to different speeds at which a company progresses through its life stages. A company that manufactures car parts for mass production via metal presses will have very high initial capital costs and therefore a slow “launch” phase. A company that manufactures car parts for prototypes via 3-D printing will have the opposite profile.

With this mapping chosen as the “least worst” option (it also has the advantage of yielding three groups of statistically meaningful size at 228, 253 and 169 companies, respectively), we were able to apply the life stage model in each group. This was done via a “clustering” methodology, of which details can be found in the Appendix. The results in Fig 3.5 show distinct outcomes for each group, that can be used (with caution as per all the constraints described previously) by entrepreneurs and investors alike to determine whether a company is “tracking”.

Group	Respondent sectors	Age group			
		Young	Adolescent	Maturing	Adult
Frontier	Biotech/Med. Tech./Pharma; Clean Tech; Media, Arts and Entertainment; Technology; Telecommunications	3-5	6-8	9-14	15-33
Traditional	Agriculture; Automotive; Distribution and Manufacturing; Hospitality and Leisure; Oil and Gas, Power and Utilities; Real Estate and Construction; Retail and Consumer Products; Transportation	3-8	9-12	13-26	27-70
Services	Education; Financial Services; Government Services; Healthcare Services; Marketing and Communications; Services;	3-6	7-10	11-16	17-60

Fig 3.5. Life stage brackets and sector mapping for EOY industry groups

Sector dynamics seem to be confirmed by this analysis – Frontier companies reach maturity fastest, followed by service companies and traditional industries take the longest. Particularly striking is the long time that traditional industries can spend in the *Maturing* life stage – while individual circumstances might vary, it could well be linked to the relative capital intensity of the industry which makes disruption of a well-established business model by new entrants more difficult. The lower top age bracket in Frontier companies suggests also the cycles of creative destruction

operate more violently in this grouping – of course, exceptional companies will live well beyond that upper limit in all industry groups.

The following chapter will describe in greater detail the insights gained from the analysis of each group along key financial and operating metrics, offering both some absolute benchmarking of the EOY contestants as well as lessons from top performers.

Chapter 4:

Painting by Numbers – Insights from the “World Entrepreneur of the Year” contestants

This chapter will delve into the rich detail of the EOY data set, offering first a view on how the contestants score on high-impact entrepreneurship where metrics offer some insight. For each of the previously defined life stages we will compare metrics in the industry groups, outlining specific dynamics where possible and seeking benchmarks – while at times also observing the limits of a pure analytical approach in an area as complex as high-impact entrepreneurship. Finally, the chapter will revisit the question of job creation across life stages and industries to arrive at some insights that might stimulate the re-thinking of some established paradigms.

Just how good are the contestants?

Comparing financial returns, the EOY contestants cut a good figure – as Fig 4.1 illustrates very well. Assuming that either revenues or assets are used for valuation multiples (price/sales or price/book), and that multiples would have stayed constant throughout the year, the EOY roster outperforms major equity indices by a comfortable margin. On yield, the story is similar -- the median RoA of the EOY sample for 2012 (their most recent reported year prior to the contest) stands at 16.8%, which compares very favourably to the median RoA of the companies in the S&P500 at 7.1% or those in the Russell 2000 at -1.6%.

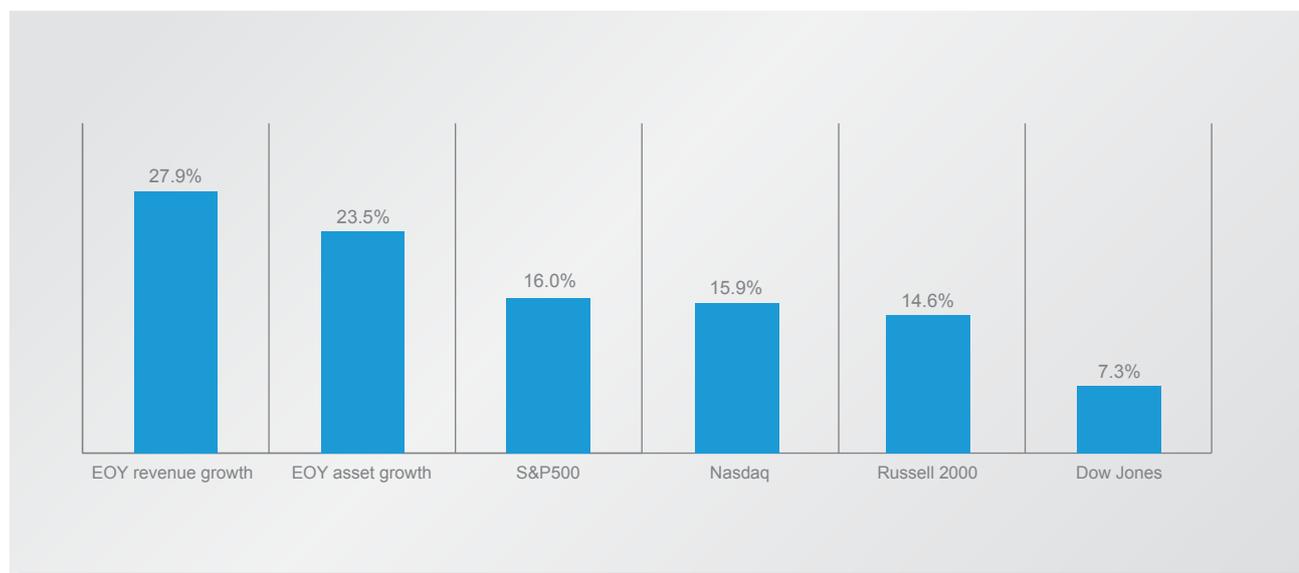


Fig 4.1. Annual financial metrics (median values) of EOY contestants compared to major indices, FY 2012

This pattern of outperformance continues when looking into the industry groups, as shown in Fig. 4.2. In every group, the relevant industry comparisons are outperformed by a comfortable margin.

Average (median) return on assets	
Frontier	30 (14.2)
S&P500: Information Technology	7.9
S&P500: Telecommunication Services	5.4
Russell 2000: Information Technology	0.7
Russell 2000: Telecommunication Services	3.5
Traditional	47 (17.8)
S&P500: Consumer discretionary	10.0
S&P500: Consumer staples	11.1
S&P500: Materials	6.3
S&P500: Utilities	3.4
Russell 2000: Consumer discretionary	6.1
Russell 2000: Consumer staples	7.2
Russell 2000: Materials	3.4
Russell 2000: Utilities	3.1
Services	35 (20.9)
S&P500: Financials	2.9
S&P500: Healthcare	7.3
Russell 2000: Financials	2.8
Russell 2000: Healthcare	-18.1

So, on traditional financial metrics, the contestants are very good indeed – and can truly be considered high-impact. It is much harder to discern what they collectively do for their relative industries, as there are no clear metrics to compare something as complex as the shaping of industries. We conclude the section therefore with two proxies – one the concept of marginal job creation (a concept we will return to later in more detail) – how many new jobs a company creates as a percentage of its existing workforce over a certain time frame.

On this, the numbers speak a very clear message. Starting from a base of 447,400 jobs in 2010, the EOY contestants collectively created 161,400 jobs during the next 2 years – or 33.8% of their existing base. At the same time, the US economy added 3.6m jobs to an existing base of approximately 136m – a marginal job creation rate of 2.64%. The contrast gets even more pronounced for the EOY award winners and finalists, as shown in Fig. 4.3. Of course, the US economy operates on a much larger base, but the impact the EOY contestants have is nevertheless nothing short of astonishing.

The second proxy relates to how high-impact entrepreneurs define new niches and shape industries. To conclude with a view on how this looks in practice, we offer the case study of Chobani, the 2012 EoY winner. Its founder created a sector-beating company literally out of a wasting asset in 2005, only to sell over \$1bn worth of yoghurt eight years later, in what many would have called an over-competed segment before he started. This is high-impact entrepreneurship in action.

Figure 4.2 Entrepreneur Of The Year companies outperform US benchmark.

Source: Capital IQ, July 2014, EY. Median Return on Assets data for Entrepreneur Of The Year participant companies

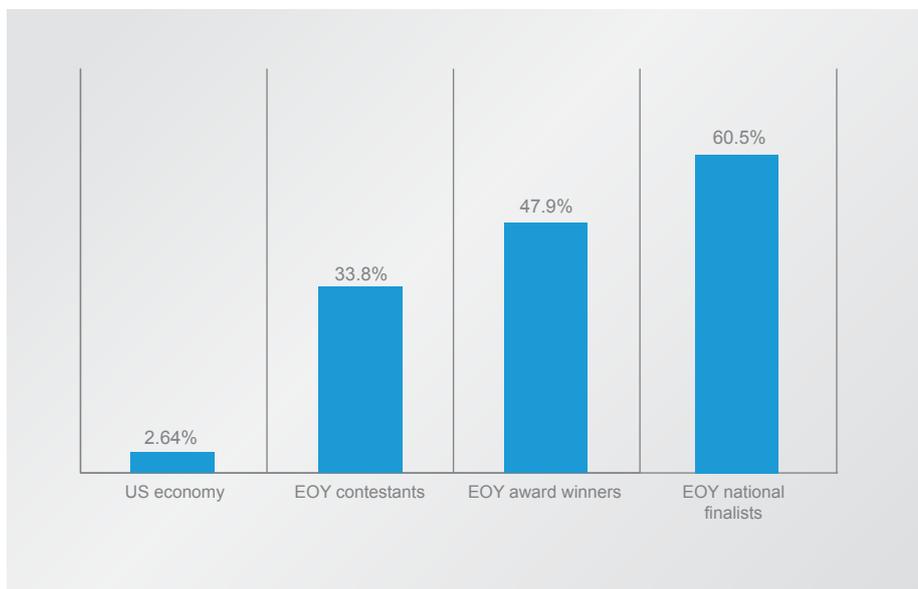


Fig. 4.3. Marginal 2-year job creation rates for EOY sample and the US economy (2010-2012)

Chobani: seeing an opportunity in the marketplace

When Hamdi Ulukaya, founder, President and CEO of Chobani, Inc., first saw a flyer seeking buyers for a soon-to-be-abandoned yogurt factory in upstate New York, he followed his first inclination and tossed it in the trash. But something intrigued him enough to pull the flyer back out. "I called the real estate agent," Ulukaya says, "and drove there the next day for a tour."

Against the advice of his attorney, Ulukaya bought the old Kraft Foods factory, using Small Business Administration loans and bank financing. Seven years later, the New Berlin, NY, plant is the busiest yogurt producer in the US, processing some 3 million pounds of milk per day. Moreover, Chobani commands an almost 20% share of the US yogurt market and is now expanding globally.

And while the plant in New York still churns out some 1.6 million cases of Chobani yogurt every week, in late 2011 the company broke ground in Twin Falls, ID. That plant, Ulukaya projects, will eventually become the largest in the world, processing some 3 million pounds of milk a day and supplying Chobani yogurt to West Coast customers.

Soon after closing on the facility, Ulukaya hired a team of four former Kraft employees to help bring the plant back to life. "We had our picture taken in front of the plant, and then we turned off the lights because the electricity bills were crazy," he says. His next move was to pick up a brush and paint the plant from the outside in with his team, which now included a yogurt maker from Turkey.

"There was so much on my mind, I wasn't sure what to do next," Ulukaya says. "You can sit back and wonder or just get started. Sometimes in the action of doing, the answer comes to you."

During the first few months, while his team refurbished the plant, the answer came to Ulukaya: Greek yogurt, which is thicker and less sweet than most US brands and uses natural ingredients. "At the time, imported Greek yogurt was becoming more popular in the US, particularly with people who moved here from Europe. I didn't want to make yogurt for just the ethnic market, however; I wanted to make it for the masses."

That meant he needed to buy a high-volume separator to extract excess water and whey from milk. New models were expensive, so Ulukaya found an older one in a junkyard in Madison, WI. Inspiration struck Ulukaya on that "lonely drive from Chicago to the junkyard" when he thought of the name Chobani, which means shepherd in Turkish.

Returning to New Berlin, Ulukaya and his team began perfecting their recipe, testing and tasting different blends. Once he was sure they had arrived at the right formula, Ulukaya was ready to venture into the marketplace. Chobani shipped 300 cases of yogurt, in five flavors, to a small retailer on Long Island.

"I didn't hear anything from the store for a week, and it was the longest week of my life," Ulukaya says. But when the call came, the owner ordered another shipment.

Ulukaya next sought to break into the mass market. Designing a cup and logo that would help the Chobani brand "pop" on store shelves, he was convinced that his yogurt would sell in the dairy aisles and not just in the specialty sections. He found his opening with Stop & Shop, which agreed to put Chobani next to other nationally known yogurt brands. The buyer was skeptical that a Greek yogurt would sell in that space, but two weeks later he called to order more, asking, "What are you guys putting in that cup?"

"When I heard him say that, I knew we were onto something," Ulukaya says

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The life stages in practice

Taking a first look at key metrics across the whole set of contestants by life stage, we can corroborate what will come as little surprise to those active in the field of entrepreneurship. As they progress through the life

stages, Fig. 4.4 illustrates how companies grow in every dimension of their operations – headcount, sales, profit, assets.

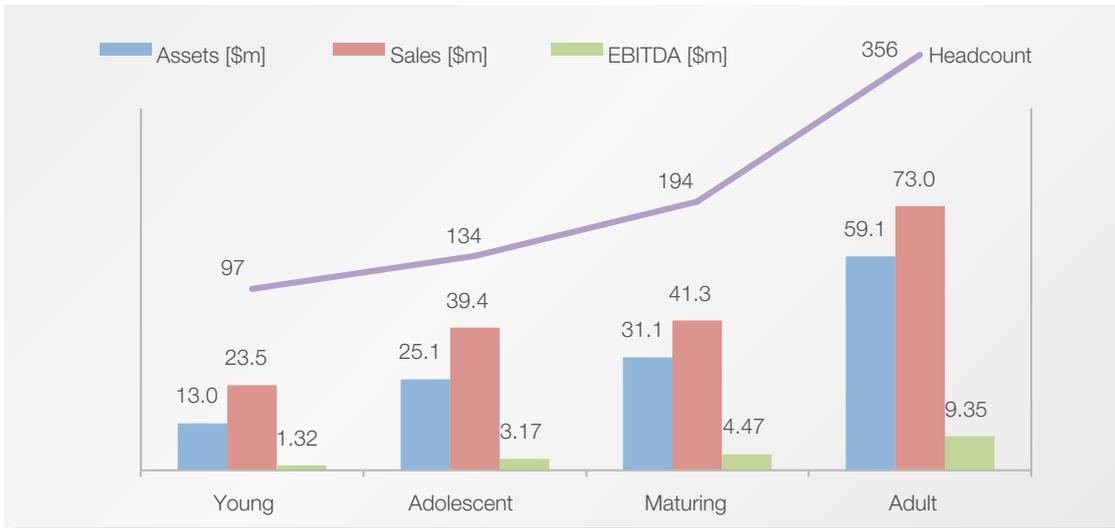


Fig. 4.4. Median operating parameters of EOY contestants in the life stage framework

There is, however, a more nuanced view once other metrics are considered – namely financial metrics that measure efficiency, effectiveness and yield of a company – the ratios of EBITDA/sales, sales/assets and return on assets (RoA). These are important metrics for a company, as

- EBITDA/sales measures the operating profitability (margin) of the company

- Sales/assets measures how effective the company is at utilizing its asset base
- RoA is the product of the previous two metrics and expresses the profitability of the company to its owners (who will have purchased or built the assets at some stage)

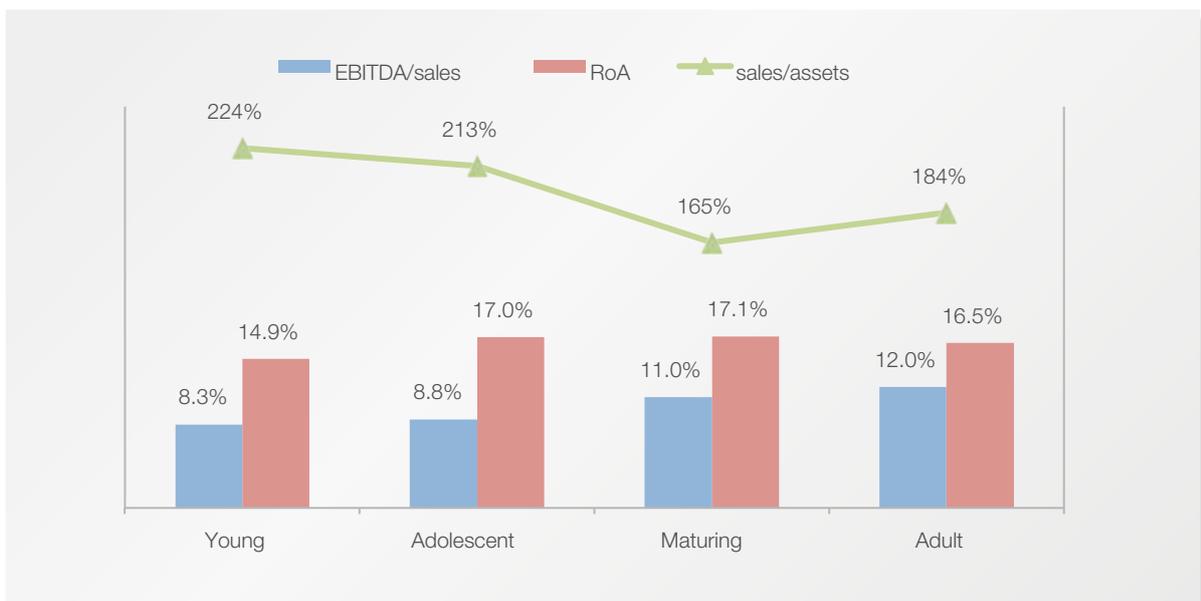


Fig. 4.5. Median operational metrics of EOY contestants in the life stage framework

What can be gleaned from this chart is that companies start out with high sales/assets (due to a low asset base), low sales margins and low RoA. In the *Adolescence* stage, RoA improves as companies hit their stride and scale up sales (in line with asset growth) – though sales margins still stay low in the pursuit of scale and market share. In the *Maturing* stage, companies trade asset utilization for margin (profits) as business lines mature and their market share consolidates, with RoA staying constant. Finally, the *Adult* stage shows a slight decline in RoA as companies increase their asset base, dedicating resources to staying ahead of the competition (in the spirit of creative destruction). Simultaneously, learning effects and scale economies keep positive momentum on margins in this stage.

This analysis shows the importance of operational metrics other than just growth through the life stages. However, in order to get further insights, we need to now look at the industry groups in more detail to reflect their specific dynamics.

Dynamics of being a *Young* company

More than all the other life stages, the *Young* stage defines the public image of the entrepreneur. Money is tight, the operations are small, all hands are on deck and bootstrapping is the order of the day. This is very eloquently summarized in Nick Woodman's description on how he got started with GoPro.

Focus on customer acquisition

In their responses to the EOY survey questions, *Young* companies stressed that customer acquisition and well-managed use of scarce assets to grow the customer base are crucial in this life stage. This suggests that, as long as survival is not threatened, profits can be foregone in order to “nail” the value proposition, offering and customer base.

Further themes that were prevalent for successful *Young* companies included:

- Heavy investment in human capital, particularly the early team
- Upfront investment in technology
- Raise money from venture capital funds, angels, friends and family and where possible reinvest earnings as sources of capital to fund growth and expansion, rather than bank loans. Keep a tight focus on working capital.
- Aim high with global ambitions. Although most firms report their existing business footprint is domestic, many see global markets, especially developed markets, as central to their near-term expansion.

A tale of many paths

Of all life stages, the *Young* stage shows the strongest divergence between the different sector dynamics. *Frontier* companies sacrifice profitability dramatically to fund upfront R&D and product development, which shows clearly in Fig. 4.6. Getting their funding sources right is a crucial success factor for these companies.

Given the often asset-light nature of their business, *Services* companies start with much stronger operational metrics and will generally find it easier to retain earnings. *Traditional* companies equally are cash generative in their *Young* stage, but lie somewhat between the two extremes in their operational metrics. This is likely due to a stronger focus on operating assets and a more competed space than in the other two sectors – and indeed, the median assets for a *Traditional* company are slightly ahead of the other two industry groups (a pattern that will continue and become more pronounced throughout the life cycle).

It is worth bearing in mind that all companies in the EOY sample can be considered high performing, so the sector-specific sacrifice of profitability in the early stages of *Frontier* companies does not suggest they are in any way worse – all three profiles outlined in Fig. 4.6. can (and do) lead to world-class companies.

GoPro: Creating new markets and bootstrapping

Sometimes inspiration comes when it's least expected. For Nick Woodman, Founder and CEO of GoPro, it came on a surfing trip with his wife when he wanted to find a better way to film his prowess on the board.

An avid surfer, Woodman had long realized how frustrating it was for surfers to get great shots and footage of themselves while they were riding the waves. All that was available at the time were disposable cameras attached to their wrists. The photo quality was inconsistent, and, at times, the cameras even flew off, sometimes hitting surfers in the face!

To counter these problems, Woodman thought of developing a wearable camera that could be secured with a wrist strap and worn during extreme sports like skiing and surfing. Just as important, the camera would take high-quality photos.

That concept turned into the catalyst for Woodman to found GoPro, which now holds a commanding share of the US video camera market – up to 55% when specialty channel shops are included.

The journey from concept to development of GoPro wasn't easy. After the experience of losing other people's money when his first start-up failed during the dot-com crash, Woodman this time pledged not to accept any outside cash. Instead, he and his wife sold bead and shell belts from Bali to raise seed money. He kept the company small, hiring family members and close friends who shared his passion. He also put in 16-hour days, sometimes not even sleeping as he perfected the product.

When the first model was ready, Woodman personally drove to surf shops to demonstrate and sell the camera. “You don't need to be a rocket scientist to start your own business,” Woodman says. “You just have to be totally committed.” Mindset matters.

When looking at “high-impact” enterprises using the OECD definition, the patterns observed for the overall EoY sample become even more pronounced for *Frontier* companies. The pursuit of growth clearly eats even further into profitability, and these firms have the funding base to stomach that. The other industry groups show comparatively little differentiation against the full EoY sample.

In turn, looking at the EoY award winners in the *Young* life stage reveals an interesting change. While the companies that are recognized in *Services* industries (and to some degree in *Traditional*) conform more or less to the already established pattern, the judges clearly prefer *Frontier* companies that are cash generative. Two explanations are at work here – firstly, the sample is significantly smaller, making the statistics more difficult. Secondly, the judges prefer (for good reasons to do with proven track record and customer base) slightly older companies within the age group – which in turn are further evolved in their business model and only one year away from the *Adolescent* group.

In closing this section, we will take a look at the *Young* segment from another angle – namely by selecting those firms that are in the top quartile of the *sales/assets* metric, and comparing their profile with the wider group. Doing so yields an interesting perspective, as shown in Fig. 4.9.

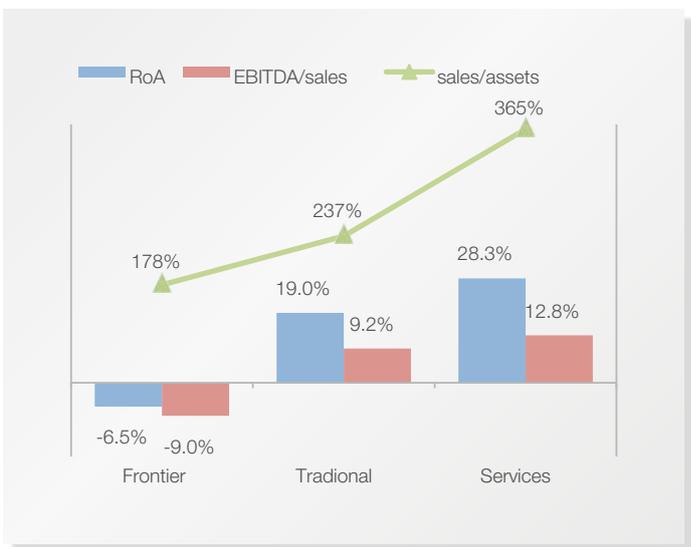


Fig. 4.6. Median operational metrics of *Young* EOY contestants

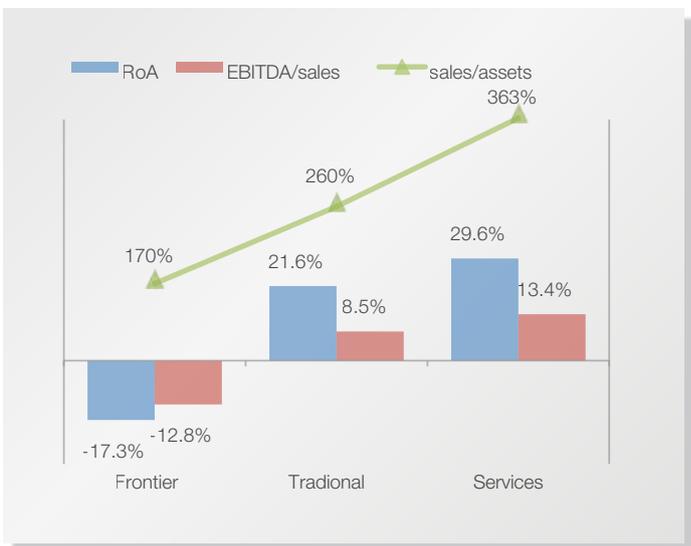


Fig. 4.7. Median operational metrics of *Young* OECD high-impact firms

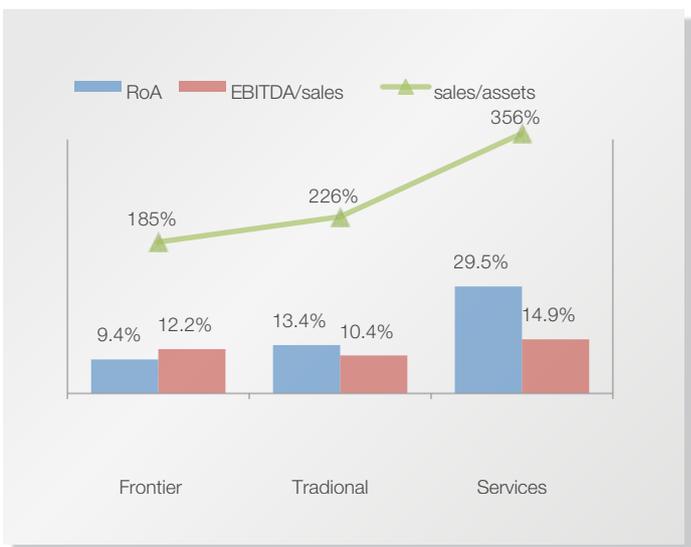


Fig. 4.8. Median operational metrics of *Young* EOY award winners



	Frontier		Traditional		Services	
	Top Quartile sales/assets	All EOY contestants	Top Quartile sales/assets	All EOY contestants	Top Quartile sales/assets	All EOY contestants
Sales/assets	424%	178%	479%	237%	689%	365%
EBITDA/sales	5.0%	-6.5%	5.4%	9.2%	5.3%	12.8%
RoA	21.8%	-9.0%	26.0%	19.0%	69.3%	28.3%
Headcount	86	97	73	95	35	103
Headcount growth p.a. (last 2 years)	125%	127%	103%	64%	48%	68%
Sales [\$m]	19.0	16.0	15.2	22.9	25.0	31.7
Sales growth p.a. (last 2 years)	261%	166%	63%	74%	212%	132%
Assets [\$m]	4.2	13.0	3.2	13.9	3.4	12.3

Fig. 4.9. Comparison of firm in the top quartile of sales/assets, median values

Across the board, those firms are more asset-light and headcount-light than their peers – however, their other metrics look highly appealing in most cases and their growth rates for the most part level or outperform those of their peers. While we lack the data for a proper longitudinal study of those firms (or a wider set of companies to corroborate our findings beyond the EOY universe), it seems a plausible hypothesis that smaller firms with excellent sales/assets metrics in the first few years of their life cycle would be those to watch for future outperformance.

It is also worth noting that more than 75% of US firms have less than 20 employees – so within the first few years of their life span, the *Young* EOY contestants have already pulled ahead of the vast majority of businesses in the country. This further illustrates how impressive and impactful this sample of companies is.

Having examined the *Young* life stage, with its focus on creating markets, finding customers, and launching a company into the market under resource constraints, we will now have a closer look at the *Adolescent* stage where the scaling-up happens in earnest.

Dynamics of being an *Adolescent* company

The *Adolescent* “building” stage is where high-impact firms continue to grow customer acquisition and market recognition. Firms at this point in the life cycle need to demonstrate well-run business processes, which strengthening in profitability. Growing revenue bases provide the cash flow to cover overhead, hiring and the foundation for sustainable expansion and capital investment.

Building secure foundations as the company takes off

Significantly, as firms transition from *Youth* to *Adolescence and up*, cultivating and securing core customer relationships remains the main channel for impact. An often-overlooked avenue here is to partner with larger firms or incumbents, rather than viewing them as adversaries. In our experience, many incumbents have a great interest in cultivating relationships with smaller companies (if only to make their own “intrapreneurship” efforts more appealing) – and entrepreneurs can gain a lot from being integrated into larger business ecosystems. GoPro has an interesting experience to offer here (see text box).

Speaking to the *Adolescent* firms in our survey, they report:

- A focus on angels, friends and family funding and on retained earnings to fund short-term investment. Working capital management is a core focus for future investment.
- Expectation for private equity/VC to drive capital for future expansion
- Focus on domestic markets in current operations
- Similar to *Young* companies, focus on domestic markets for near-term expansion, with some appetite for expansion into developed – though not emerging – global markets
- Current investment focus on technology, followed by human capital
- A preference for human capital investment and geographic expansion over R&D for future growth
- Focus on institutional processes and balancing the growing institutionalization of the firm with the original entrepreneurial culture.

These results suggest that while they scale, top performing *Adolescent* firms keep a keen eye on their operating performance, ensuring that they have everything in place for smooth growth. *Adolescent* firms need to be able both to make a market for their offering and to optimize profitability if their business is to be sustainable. Consequently, their

investment, geographic scope and capital strategies are of particular interest. The Doggis story (see text box) is a case in point.

This phase is also where the biggest challenges on culture in a company's life can arise. As firms transition from a small enterprise with double-digit staff into organizations that have different departments, processes and budget lines, culture becomes a big issue. The ability of the founder to "let go" while at the same time not losing control is severely tested. In addition, external funding sources such as venture capitalists might take a major stake in the company to fund expansion, leading to potential distractions if their interests are not fully aligned with those of the founder (or, more frequently, other key employees). Given the wide body of experience already in existence on the topic, we will not dwell in further detail here – but the point is important to keep in mind for *Adolescent* firms, who should make ample use of peer and mentoring networks for this particular issue.

Some light, and some clouds

Analysing the pattern across industry groups in Fig. 4.10, two dramatic shifts are visible – on the positive side, the *Frontier* companies have entered the positive territory of their J-curve, improving both RoA and EBITDA/sales significantly over their peers in the *Young* category. This is in alignment with a (simplified) model of their value proposition – having developed a robust product and proven it in key markets, they have now secured a position from which they can start monetizing. They are still focusing on leveraging their sales effectiveness (sales/assets), which is virtually unchanged from an earlier life stage.

Services companies, on the other hand, see a sharp decline in sales effectiveness, with the commensurate drop in RoA. As this also comes with sales margin compression (EBITDA/sales), it suggests that after having had a fantastic start into their life as an enterprise in the *Young* phase, they are now subject to much intensified competition – which finds it relatively easy to enter, as many service businesses are asset-light and reliant on key staff (that can leave or get poached).

Traditional companies, on the other hand, show steady improvement along their key metrics. This seems in line with an industry structure that has higher barriers to entry and protects those that have established a good track record.

Considering "high-impact" enterprises as defined by the OECD in Fig. 4.11, it seems that the pursuit of growth is slightly delaying profitability in the *Frontier* companies. Judging by the relevant sales metrics, seems that those companies still deploy resources to lock down product design and/or offer reduced pricing to capture market share - affecting asset utilization and/or margins. *Traditional* companies seem to enjoy the benefits of an already more scalable platform that they can leverage for economically attractive growth. For *Services* companies, however, it looks like the high-impact (i.e., high-growth) companies find themselves in a somewhat over-extended position and this is reflected in their metrics. While this is true on a relative basis, of course it should not be forgotten that 15% RoA is hardly a life-threatening situation for any company!

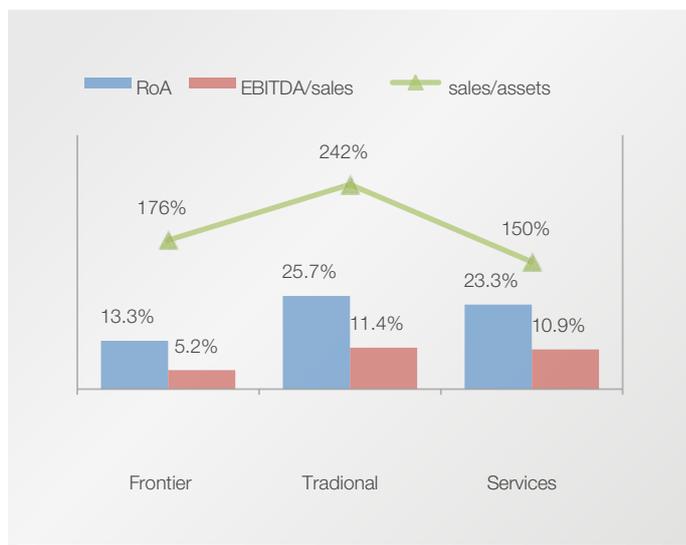


Fig. 4.10. Median operational metrics of *Adolescent* EOY contestants

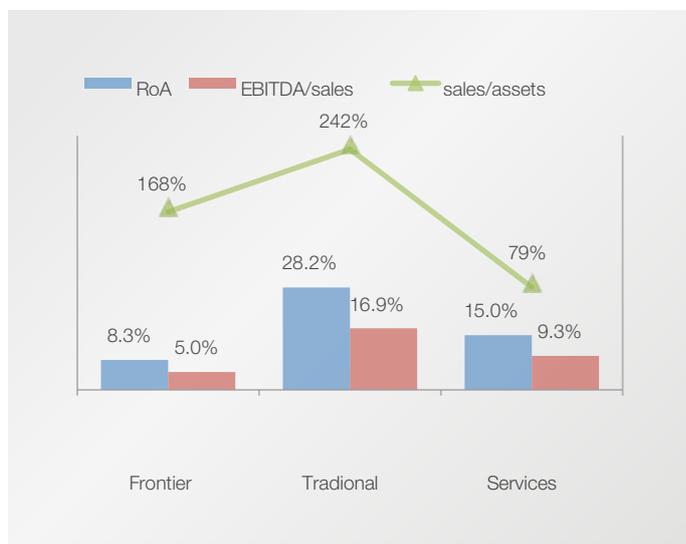


Fig. 4.11. Median operational metrics of *Adolescent* OECD high-impact firms

Doggis: From frankfurter to franchise giant – an appetite for bootstrapping

A hot dog with all the trimmings, known as “completos,” served as the inspiration for Chileans Oscar Fuenzalida and Ricardo Duch when they opened their first hot dog shop in 1987 nearly 30 years later, Oscar and Ricardo preside over one of Chile’s largest fast food chains: Doggis, named after the Chilean-style hot dogs it serves. They also lead a holding company including more than 25 proprietary and 130 franchised locations.

Remarkably, Oscar and Ricardo bootstrapped the business from its very beginning. In 1983, after selling their cars, they invested US\$20,000 in a sandwich shop. Four years later, inspired by completos, they opened their first hot dog store. Before long they were selling 3,500 hot dogs daily. Ricardo’s brothers also jumped in: Juan Sebastian opened a shop in Concepcion in 1987, and Cristian opened several stores in Santiago.

To build a competitive brand, the entrepreneurs expanded the idea of the completos to include a variety of combo meals. Following a trip to the US to observe international standards, Oscar and Ricardo redesigned the Doggis store concept. In 1991, the entrepreneurs opened a store in the upscale shopping mall Parque Arauco. With state-of-the-art lighting and building materials never before seen in a Chilean fast food restaurant, Doggis earned a design award.

While not content with slow, steady growth, Oscar and Ricardo lacked the capital for quick expansion via proprietary stores. In 1994 they took a big risk, hiring a consultant from a prominent franchising firm. The consultant helped Doggis standardize operations and build a franchising model. By 2005, with 100 restaurants, Doggis had become the biggest franchise chain in Chile.

In recent years, Oscar and Ricardo began pursuing a portfolio strategy. Under their holding company, Gastronomía y Negocios, they opened Juan Maestro (sandwiches, 2007), D’leite (ice cream, 2008) and Mamut (full-service casual dining, 1997). With their eye on regional markets, in 2009 they entrepreneurs created a partnership whereby Bob’s, a Brazilian burger restaurant, will manage Doggis’ franchising in Brazil and Doggis will do the same for Bob’s in Chile. Today, Oscar and Ricardo employ more than 1,200 workers.

GoPro: Partnering with a larger partner - riding the YouTube wave

At its start, GoPro was primarily a wrist camera for surfers. YouTube changed the equation, with video quality replacing photo quality as the primary driver of buyer decisions. GoPro met the shift in consumer interests and focused on building outstanding video cameras, introducing its first high-definition video camera in 2009.

YouTube has become a powerful marketing channel, turning GoPro into one of the most engaged brands in social media, according to Inc., as measured by brand audience rate of engagement. GoPro’s passionate fan base of 5 million customers has racked up 235 million views on the GoPro Network on YouTube. GoPro videos like the one of a mountain biker in Africa colliding with a gazelle have gone viral to the tune of more than 12 million hits.

GoPro’s popularity on YouTube also confirms that the company is selling more than just cameras; it is also helping customers share meaningful experiences. GoPro enables amateur athletes like Matthias Giraud — who specializes in backcountry skiing, mountain climbing and cliff-jumping — to establish their own online brands. With evangelists like Giraud, GoPro has built its own network of athletes who share the same vision Woodman had when he founded the company: sharing their adventures with others. Like a world-class orchestra, well-played instruments sound best in harmony with others.

In giving their awards, the EOY judges broadly follow the patterns already discussed – and it looks like they are not deterred by the challenges firms in the *Service* sector are facing. While we would not advocate below-peer RoA or margins as a metric to spot high-performing companies, this is clearly an instance where the quantitative data show only part of the story, with a significant missing part in the qualitative factors of business strategy, customers relations and market impact.

As *Adolescent* and *Young* companies are still relatively closely related in a company's life cycle, we will also revisit the analysis of top-quartile *sales/assets* performers. Fig. 4.13 shows the results.

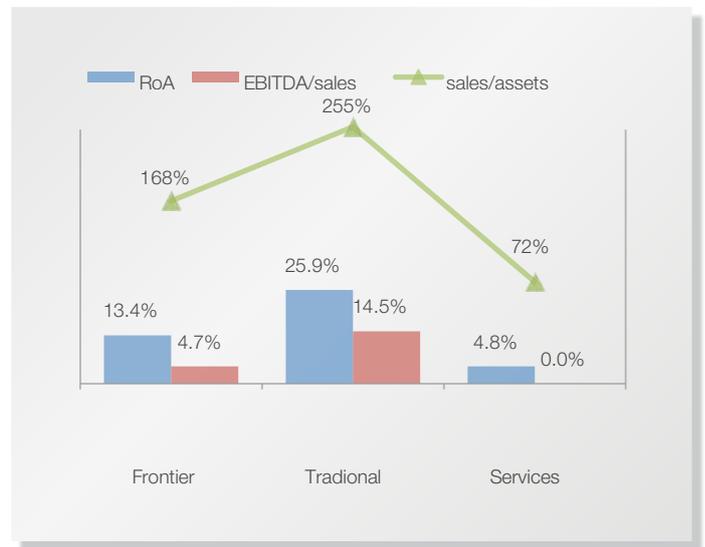


Fig. 4.12. Median operational metrics of *Adolescent* EOY award winners

	Frontier		Traditional		Services	
	Top Quartile sales/assets	All EOY contestants	Top Quartile sales/assets	All EOY contestants	Top Quartile sales/assets	All EOY contestants
Sales/assets	422%	176%	389%	242%	542%	150%
EBITDA/sales	4.0%	5.2%	5.7%	11.4%	5.6%	10.9%
RoA	16.8%	13.3%	27.0%	25.7%	45.2%	23.3%
Headcount	97	107	206	193	80	158
Headcount growth p.a. (last 2 years)	53%	55%	18%	29%	32%	27%
Sales [\$m]	42.3	35.8	41.1	66.5	19.3	34.2
Sales growth p.a. (last 2 years)	68%	67%	38%	36%	46%	45%
Assets [\$m]	11.3	20.5	10.4	30.9	3.8	24.3

Fig. 4.13. Comparison of *Adolescent* firms in the top quartile of *sales/assets*, median values

For *Frontier* companies, the gap between top-quartile performers in sales effectiveness has all but disappeared, suggesting that other metrics matter more in the *Adolescent* life stage in this industry group. The same can be said for *Traditional* companies, although similar to *Frontier* players, the top-quartile companies seem to balance high sales effectiveness with lower margins (the exact causality is of course hard to establish), resulting in only slightly elevated RoA levels.

Top quartile performers on *sales/assets* in the *Services* industry show the strongest differentiation from their peers – like in the case of *Young* companies, they are very much smaller than their peers. This would suggest that they operate in relatively well defined niches (again turning causality around) – potentially explaining while despite some margin pressure, they manage

to achieve a much higher RoA than their peers. Overall, it seems that the *sales/assets* metric is less meaningful at this life stage for companies than in the early years, and that other metrics like profitability (*EBITDA/sales*, *RoA*) start mattering more from here on.

The next section will examine the life stage where companies are now in excess of 8-12 years old (depending on sector) and definitely have hit their stride.

Dynamics of being a *Maturing* company

The *Maturing* (or “Running”) stage is where successful firms demonstrate strong performance management across a range of operational metrics. They have achieved market recognition through innovation and strong customer focus. Now it is about defending that position, while growth rates naturally start declining compared with the explosive early years.

Build to last

Award winners in this phase report a strong bias on solidifying their platform for maximum performance:

- Emphasis on human capital in current investment
- Strong focus on retained earnings to finance investment; bank lending now becomes more important than in earlier phases of the life cycle
- Ongoing focus on domestic footprint including expansion plans
- Investment plans are broader-based: human capital and geographic expansion particularly important

Once companies have established market presence and built a stable operating platform, investment in human resources (hiring, training and retention) is seen as critical to sustaining competitive advantage.

At the same time, a focus on conservative capital strategies also is observed in successful firms — especially in their more mature stages. With more established operations, a bigger asset base, stable revenue streams and higher levels of equity in their businesses, there are greater opportunities for these firms to invest existing funds to grow their businesses.

In addition, at this stage entrepreneurs often have the space to think about how their company will make a difference beyond just “being on the map”. The reflections by Chobani’s founder offer a good example.

Riding the wave

In this age group, the convergence of pathways that have started so differently in the *Young* category continues. RoA for *Frontier* companies keeps rising (from levels that were initially depressed through the high upfront investment into products and market share capture) – and RoA for the other industry groups keeps declining due to the increased competitive environment. *EBITDA/sales* is also starting to narrow into a range of just over 4 percentage points between industries.

The picture on sales effectiveness (*EBITDA/sales*) is almost identical to the early stages – though with much narrowed range between *Frontier* and *Services* companies. Lastly, the *Services* group seems to have recovered from the “valley of upheaval” in their *Adolescent* phase.

Chobani: Impact on community

Backed by such powerful grassroots appeal, Chobani adopted a tagline, “Nothing But Good,” that not only reflects the ingredients inside each yogurt cup, but its approach to employees and the community in general.

“In the very first year, I realized how much of an impact this plant had on the local community, and I vowed that it would not be disconnected,” Ulukaya says. Both New Berlin and Twin Falls are strong farming communities, he adds, “where hard work and openness is respected and valued. I wanted to make that culture part of our own.”

As Chobani expands into a global brand, opening the plant in Idaho and buying another business in Australia, the company also extends that community spirit through its contributions to the Shepherd’s Gift Foundation. A 501(c)(3), the foundation contributes 10% of all Chobani post-tax profits to charitable causes.

That’s just one way Ulukaya gives back to the communities in which Chobani operates, creating more than 1,200 jobs in New York alone and completing his own journey from the son of cheese makers in Turkey to the head of the country’s leading yogurt brand. Wealth creation reaches far beyond the bottom line.



Fig. 4.14. Median operational metrics of *Maturing* EOY contestants



The OECD “high-impact” enterprises in this age group start suffering from the effect of statistics, and an inherently early-stage bias in the definition. With only 5 and 7 companies in the *Traditional* and *Services* categories, respectively, it is hard to draw strong conclusions from data that shows a much higher sales effectiveness (sales/assets) for *Traditional* “high-impact” enterprises, and a much higher median RoA as well as lower sales effectiveness for *Services* companies of that distinction.

Among *Frontier* companies, where 31 enterprises out of 76 still meet the OECD definition, there seems to be a good overlap with the EOY peer group.

More statistically significant (with 25, 23 and 10 companies in the three categories, respectively), it is clear that financial metrics at this life stage have significance for the EoY judges – certainly the scores of award winners in *Frontier* and *Services* outperform those of their peer group by a clear margin. For *Traditional* companies, it seems that the peer group’s operational metrics are already par for course and the winners’ differentiation lies outside the quantitative data.

We close this section with observations from Nike on the challenges of being *Mature* but not stale – those will resonate with many entrepreneurs that are at the stage where the company they have built is leaving teenage life and entering its second decade of existence toward being an *Adult* company.

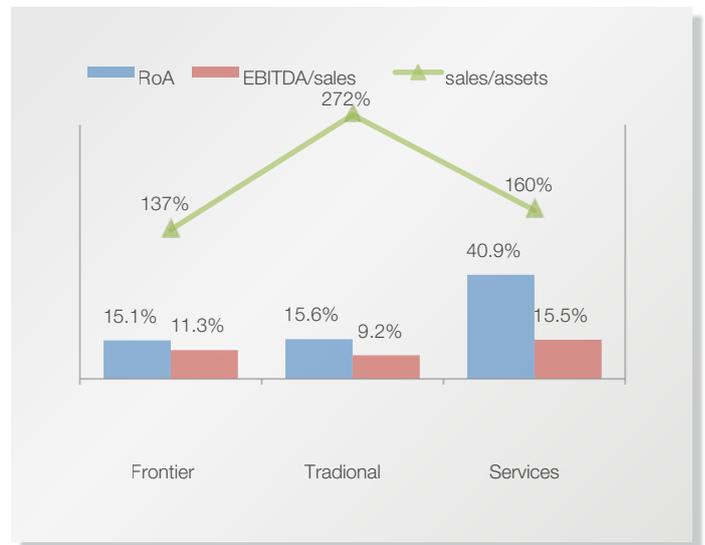


Fig. 4.15. Median operational metrics of *Maturing* OECD high-impact firms

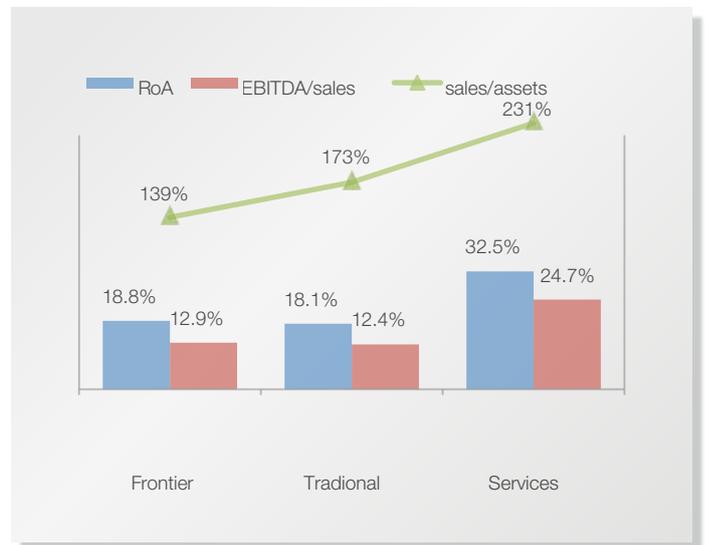


Fig. 4.16. Median operational metrics of *Maturing* EOY award winners

Nike: Crossing the finish line is the first step towards the next race

Over the years, Tinker Hatfield, Nike's "Innovator in Chief" who has now clocked up 32 years at the company, has translated Michael Jordan's explosive talent on the basketball court into the Nike Air Jordan line, ancient woven basketry into the company's Flyknit collection, and the exposed industrial guts of Paris's Pompidou Center into the Air Max I. He was even responsible for dreaming up the light-up, self-lacing sneakers worn by Michael J. Fox in *Back to the Future Part II*, and recently recreated the futuristic shoes to sell at auction benefiting the Michael J. Fox Foundation for Parkinson's Research.

Officially, he is Nike's Vice President for Design and Special Projects, which puts him in charge of design strategy for one of the world's most recognized sports brand. Well known for being outspoken, Hatfield is happy to play the boardroom dissident. "I have a personality that just doesn't care whether or not people are upset about change," he says bluntly of the self-protective culture that sets in as a company grows.

But as much as he provokes, he understands how to work within a business environment, especially one as large as Nike. The Oregon-based company has more than 44,000 employees worldwide, with reported revenue of US\$24.1 billion in FY12, making it the planet's largest sports brand.

"To be successful, you need to get outside the 'box,' but not too far," he explains. "And if you don't know the box, and you're not aware of where those boundaries are, you can easily stray too far. If you're too far out there, you get punted, pushed aside or ignored. I think being a provocateur is helpful, but you also need to know when not to go too far."

For the innovator-in-chief, a key benefit of working for a company as large as Nike is scale. In other words, his work can have a huge impact. Down the line, Hatfield sees the company still making sneakers and apparel, but he believes its biggest role will be to advocate for opportunity, especially for young, disadvantaged people around the world.

"Even though the bureaucracy is there," he says of Nike, "the growth and the size and the power, when you get them all lined up just right, can be really powerful. You can make big changes, all the while learning how to be better stewards of the planet."

The company has already taken great leaps forward in green technology, and Hatfield stresses there is not a single product at Nike that isn't put through a sustainability filter. The result is a shoe like the Air Jordan XXIII, which was designed to minimize waste and the use of solvent-based cements, and uses environmentally preferred rubber and other materials to reduce toxins.

The shoes of the future, he believes, will take the technology of Nike Flyknit shoes (which are knit to fit the foot and are therefore less wasteful of materials) and go one better. They'll be custom-made by in-store computers, cutting back on transportation. "This has huge ramifications relating to the future of our business," he says. "It's part of a business plan to reduce our carbon footprint, reduce costs and grow our customer base."

In investor reports in even the most recent years, the company boldly and simply states that "Nike is a growth company." Innovation is a renewable resource in the hands of dedicated and capable leaders.

This information is excerpted from EY *Exceptional* magazine (Americas Issue, January–June 2013). *Exceptional* is published twice yearly (January and July). More information about and additional issues of *Exceptional* can be found at ey.com/us/exceptional

Dynamics of being an *Adult* company

At this stage of their life, companies are over 15 years old, and there in principle is no upper limit for how long it can remain in this category (for practical purposes, we have capped the brackets at between 33 years for *Frontier* companies and 70 years for *Traditional* industries – but the oldest contestant at EOY was founded in 1836!). The only question is whether a company will stay nimble enough to maintain its leading position and continue to grow – and for that, entrepreneurial recipes are well remembered even for storied companies.

Embracing creative destruction

Given that a company in the *Adult* stage will have exhausted its near market, it will now need to cast the net for growth further – both geographically and into adjacent product or service markets. Acquisitions will also enter the option space, bringing potential upside but also often a thorough test of culture and the robustness of a firm's platform and processes. The initial infrastructure will also come up for potentially a complete overhaul – again, the example of a company founded in 1836 that is still a strong competitor today gives an idea of the magnitude of changes that will occur during the *Adult* phase.

In light of this, survey responses for award winning firms in this age group show how firms drive impact in the reinvention stage of their life cycle. Some common themes across industry groupings emerge:

- Broad-based current investment plans, across human capital in particular, fixed investment and technology
- Geographic expansion into both emerging and developed markets, and a more global footprint overall
- Investment in productive capacity, M&A and R&D
- Use of retained earnings and bank/debt financing to fund expansion
- Strong and prudent use of working capital to fund future expansion

On the cultural side, many approaches are tried by *Mature* companies to keep re-inventing, and many case studies have been written. Intrapreneurship is a very promising concept, and companies like Google try to foster this, as well as a strong outreach through captive venture capital arms (while Google's efforts look very promising, the latter have seen mixed fortunes in the last decade). Another tested approach (though not without its difficulties) is to create separate break-out teams inside the organization that either innovate in the spirit of the team that designed the IBM PC, or outright spend several months on “war games” of how a competitor might destroy their company. The resulting business plan is then used to innovate the vulnerable legacy lines. Innovation and creative destruction are of course not the sole privilege of technology companies – Toyota's early move into hybrid vehicles offers a *Traditional* industry example.

Nike offers again an interesting view of what can be done to keep innovation going at a pragmatic level.

Nike: Driving innovation within a large corporation

Nike's Tinker Hatfield is passionate about creating the right environment for creativity. A few years ago, when the company was reorganized, Nike created two distinct creative spaces: the Innovation Kitchen for shoes and the Hive for apparel, funding innovation to ensure new ideas were allowed to flourish.

“Business can wreak havoc on longer-term, more expensive projects,” says Hatfield. “So we carved off a certain amount of our talent and protected it from the quarter-to-quarter business. It works phenomenally well.”

Within the Kitchen, Hatfield's subdivision is Special Other Operations, or the ZOO, where he gives his team a great deal of license to create a stimulating environment. “You can design your own desk, you can have your own furniture, you can have monkeys sitting on your shoulder, it doesn't matter,” he jokes.

The ZOO is Nike's home for “accelerated innovation,” which goes beyond the “evolutionary innovation” of picking new fabrics or colors. Phil Knight describes it as Super Balls rather than baseballs. “We find interesting ways to make bigger leaps,” explains Hatfield.



The great convergence

The picture along key operational metrics for the *Adult* stage is very similar to that of the *Maturing* stage – with further convergence in the profit-related metrics. The almost perfect convergence in RoA might lead to a pragmatic rule for companies along the lines of “if you think purely in terms of your industry sector, but your return on assets is no different from any other sector, it is time to start re-inventing yourself”.

The persistent (and significant) discrepancy in sales effectiveness (sales/assets) suggests that the industry group split is stable and suggestive of different underlying dynamics in each industry.

The OECD “high-impact” criteria were definitely not meant to deal with companies at that life stage, as they inherently penalize against a high employee or revenue base – with a total of 7, 3 and 4 companies meeting the definition in each category (impressive as this may be still!), it is impossible to draw statistically meaningful insights.

The EOY award winners (with 15, 26 and 22 companies in the three categories, respectively) offer statistically significant numbers – and, just like for *Maturing* companies, it is clear that the differentiation must come from variables outside the quantitative data and operational metrics (which at this stage seem simply the minimum requirements).

Having followed three industry groups from the very early stages to adulthood (on different companies, rather than in a longitudinal study, of course), it becomes clear how different the pathways for each sector are, and that the “high-impact” firms often over-accentuate their peers’ profile on key metrics (e.g., strongly pursuing market share at the expense of profit). *Frontier* companies start firmly (and for quite some time) in the negative part of the J-curve, whereas the other sectors reach cash positive territory more quickly. While strong at the start, *Services* companies seem to encounter a very hostile environment in their *Adolescent* stage. *Traditional* sectors offer the smoothest progression, but are more competitive to start with and potentially have higher entry barriers – a double-edged sword, depending on which side a new company is operating. Equally striking is the strong convergence of the three industry groups in the *Adult* phase, which might in itself hold lessons as to how companies view themselves and how they embrace out-of-sector insights.

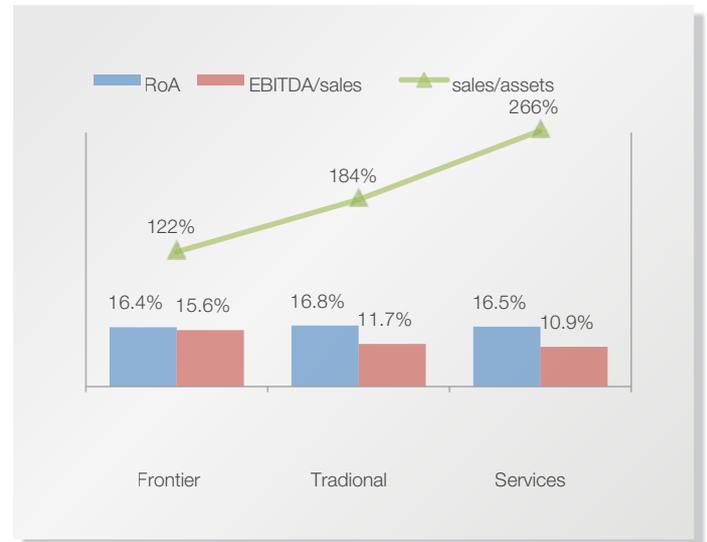


Fig. 4.14. Median operational metrics of *Adult* EOY contestants

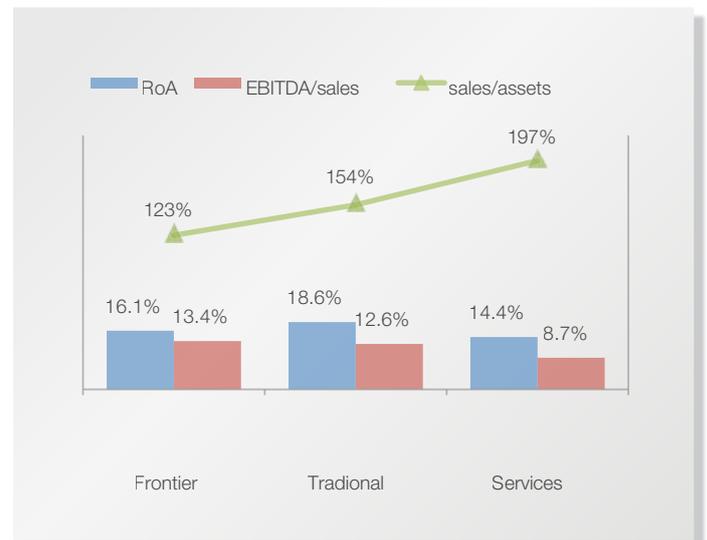


Fig. 4.15. Median operational metrics of *Adult* EOY award winners

Reflections on impact and job creation

In this closing section, we revisit briefly the impact discussion in Chapter 2, along the dimensions of

- Innovation and customer benefits
- Job creation
- Wealth creation
- Societal impact

It is implicit from the life stage discussion that individual companies will have different profiles along those impact dimensions during their life. A cash-strapped startup will

struggle to create much wealth for its founder and employees (yet might already create wealth for its customers) – but when the firm is maturing, the pendulum might swing the other way. To break another cliché, while young firms often innovate rapidly, they do not have a monopoly on doing so – firms like Apple or Nike proving the contrary. None of this is new to those who are active in the entrepreneurial space.

Where the EOY data can add some intriguing insight, however, is on the topic of job creation. Fig. 4.16 shows marginal and absolute job creation rates over two years by life stage. A marginal job creation rate of 37% for *Young* companies means that over the course of two years, they added 15,900 jobs to a base of 58,700.

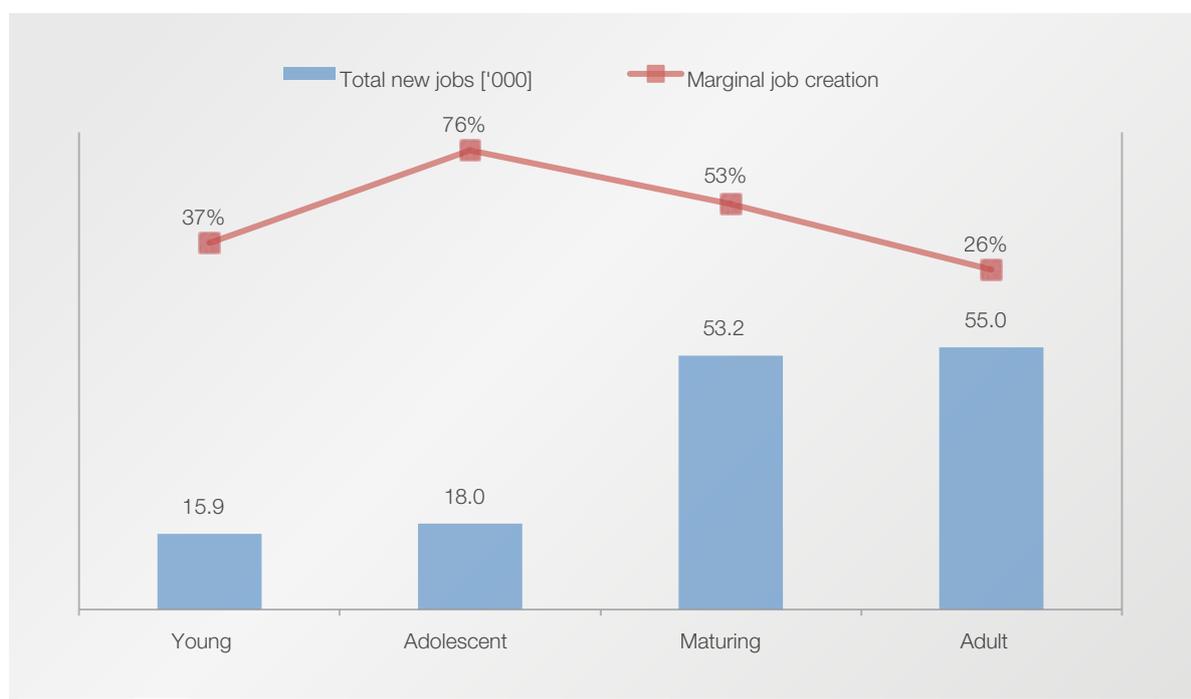


Fig. 4.16. Absolute and marginal two-year job creation by EOY contestants by life stage

The results fall in line with a lot of academic research – the lion's share of marginal job creation takes place when companies scale, not in the start-up phase. It is worth noting that the sample results are skewed by some large *Young* companies in the *Traditional* industry group. Even the marginal rates of the other industries are impressive (around 200%), the absolute numbers of jobs created by *Young* companies are still less than 15% (*Frontier*) or 25% (*Services*) of the life cycle total in each of the groups.

Moving to a sector view, and assuming that the EOY contestants suffered from no specific bias when applying, we can compare the relative job creation rates as exemplary for high-impact companies across the US economy. Fig. 4.17 gives this breakdown.

As probably expected, the marginal job creation rate is highest for *Frontier* industries and lowest for *Traditional* industries, but it is worth noting that the latter created more jobs than the other two combined! So, for at least while there is entrepreneurial activity in that industry group, policy makers should take note of its strong contributions to employment. This is of course not to denigrate the other two industry groups, given that every quality job is important.

To offer yet another angle on the job creation issue, we now shift to a per-company view, and plot again absolute and marginal job creation at the level of a median company in each industry group, displayed in Fig 4.18.

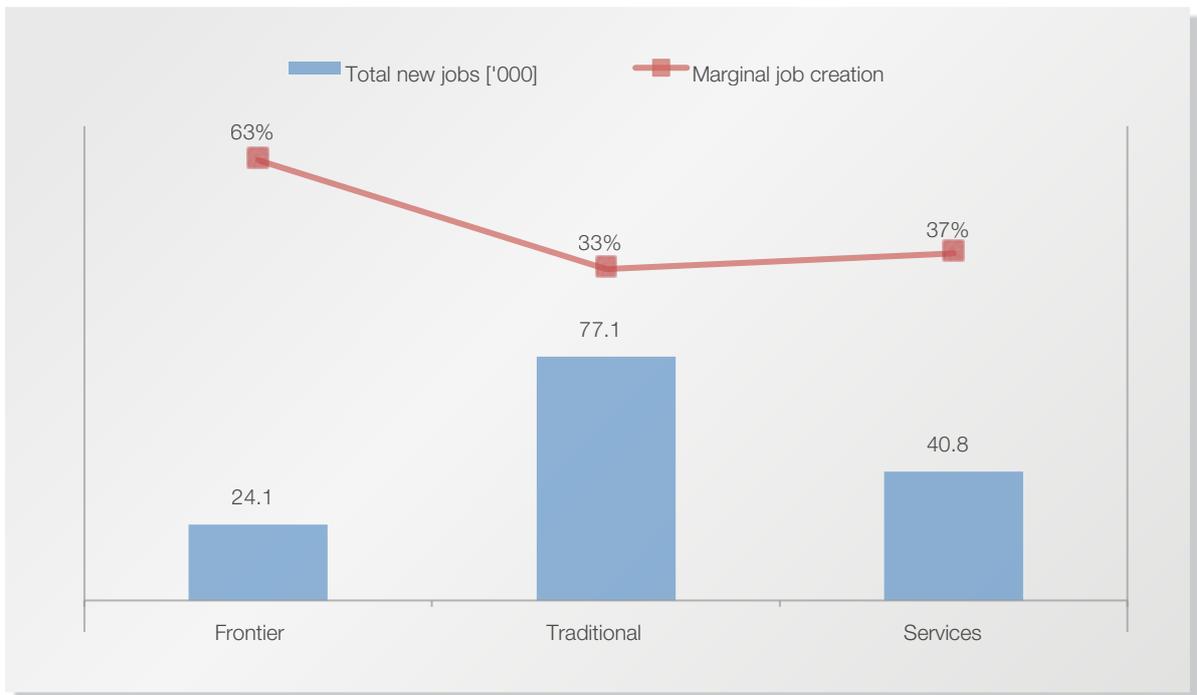


Fig. 4.17. Absolute and marginal two-year job creation by EOY contestants by industry group

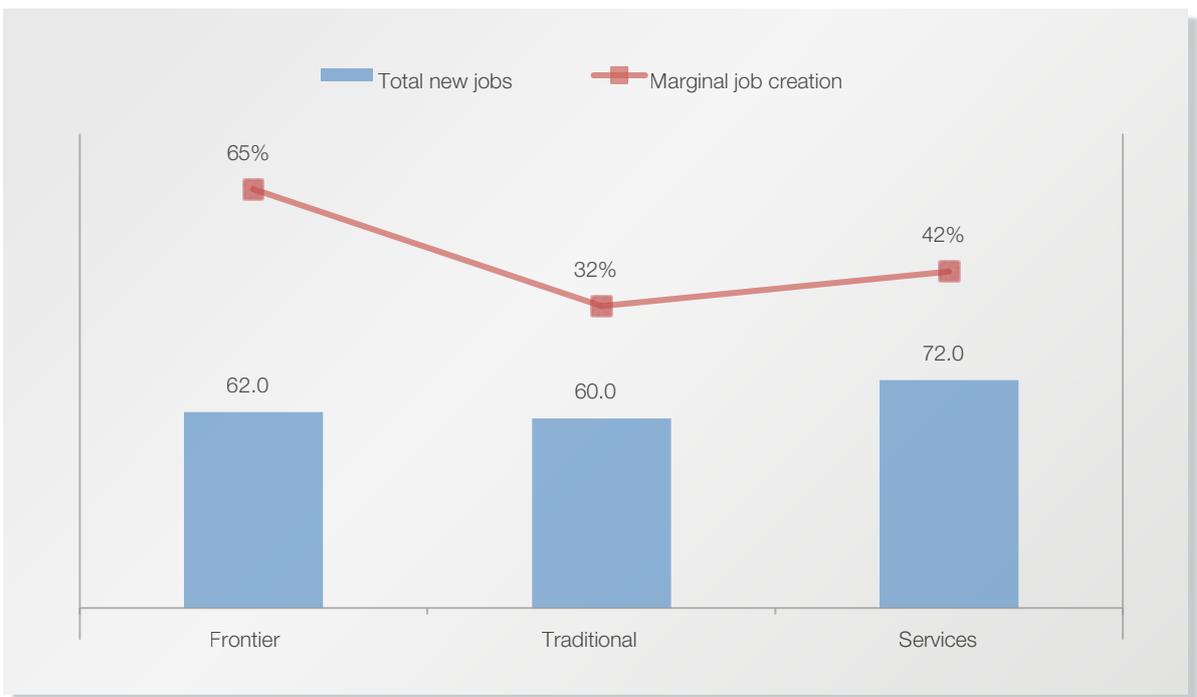


Fig. 4.18. Median absolute and marginal two-year job creation by EOY contestants per company

As an example, the median *Frontier* company started with 98 employees two years ago and added 62 new jobs (or 65% of 98) for a current total of 150. While again marginal job creation is highest in the *Frontier* category, it is interesting that *Services* companies create the highest absolute number of jobs at a per-company level. So if the constraining factor in an economic environment is the number of companies, then *Services* offers the best impact.

These observations gain additional relevance if ecosystem considerations come into play. In many (though by no means all) cases, *Frontier* companies need a strong external ecosystem of universities, R&D labs, educated workforce to thrive – Silicon Valley being the most prominent example of such a set-up. By contrast, the other two industry groups might need less by way of enabling ecosystem and so might be more successful in circumstances where it doesn't exist.



Chapter 5: How to Aim High – Conclusions for entrepreneurs and policy makers

After an extensive analysis of a data set containing some of the most impressive entrepreneurs, what are the key lessons? What can be done to replicate (if you're an entrepreneur) or enable (if you're a policy maker) similar successes? We start this concluding chapter by letting the entrepreneurs themselves speak.

Beyond the Numbers

Shown below is a word cloud that highlights the most commonly used words that EY Entrepreneur of the Year winners used to describe their business and entrepreneurial successes. Noteworthy and consistent with the importance of creating strong customer demand and hiring top talent, "Market", "Sales" and "Employees" were amongst the top descriptive words from this elite class of entrepreneurs.



Conclusions for entrepreneurs – how to run with the best

If, as an entrepreneur your priorities resonate with those on the previous page, the odds might start to look good. Similarly, if a company's operational metrics align with those presented in the previous chapter, there might be a good chance it is geared up for high-impact. An awareness of the life stage model is helpful, as is comfort with the “tough questions” outlined in Chapter 3, and a preparedness for the sometimes bumpy journey that comes even for the best performers (e.g., the challenges for *Adolescent Service* companies outlined in the previous chapter).

But entrepreneurs know very well that only what is on the radar screen gets done, and that every path is different – in this spirit, the biggest step to becoming a high-impact entrepreneur is to focus on being one. This means, at every life stage of the company, to consider how the company can have the biggest impact on innovation and customer benefits, on job creation, on wealth creation, and on society.

As we have repeatedly stressed, the quantitative data are only part of the story – every company is different, and often the key for success lies in the qualitative inputs. The EY World Entrepreneur Of the Year judges for this year's competition offer the following themes they thought distinguished the winners, beyond rock-solid business performance:

- An ability to identify opportunities or mismatches in the market, with a focus on niches
- A personal passion for their business or industry, and the ability to communicate a vision
- An innovative product or business model
- A business that makes a positive impact in the community, beyond pure profits
- A desire to engage with policy makers and to shape agendas in areas of job creation and financing

Conclusions for policy makers – how to support high impact entrepreneurs

Policy makers often have an uneasy relationship with entrepreneurs – on the one hand, entrepreneurial companies seem to offer a lot of benefits that are aligned with what policy makers want: Prosperity, employment, innovation. On the other hand, more than other business forms, it is hard to pin down what “an entrepreneur” actually is, let alone a “high-impact” one. We hope to have made a little difference in this regard with this report, and hopefully the outreach to potential high-impact entrepreneurs will be easier.

As entrepreneurs will often tell, they themselves know how to run their companies well, and we wouldn't disagree with that. However, they are very reliant on a well-functioning ecosystem – with the obvious basic ingredients such as legal certainty, good infrastructure and predictable regulation. However, there is more subtlety to it, and the words on the previous page e.g., investment, global allude to some of the less tangible enablers that policy makers might want to put in place. In addition, it should be clear from our discussion in the closing section of the last chapter that different industry groups have both different job creation profiles (if that is the relevant policy context) and different needs. It might be easier to set up a service-centered entrepreneurial cluster than to re-create Silicon Valley.

Like for entrepreneurs, we have no “philosophers stone” for policy makers when it comes to entrepreneurship – other than the recommendation to reach out, engage in an informed dialogue, and help create the ecosystem that is right for entrepreneurs as well as society. Because an entrepreneurial ecosystem it will only be successful and sustainable if it works for all stakeholders.



About the Authors and Acknowledgments

WORLD ECONOMIC FORUM

Michael Drexler

Michael Drexler is a Senior Director at the World Economic Forum based in New York, where he oversees the community of institutional and private investors. He joined the Forum after nine years at Barclays, where he most recently was Managing Director and Global Head of Strategy, Commercial/Investment Banking and Wealth Management. At Barclays, he also held positions in Principal Investments and Finance as well as Chief of Staff to the Chairman. He joined Barclays Capital in 2002 from McKinsey & Company. Prior to that, Drexler was an academic researcher at Stanford University. He holds a PhD in Mathematics from the University of Oxford and an MSc in Electronic Engineering from the Technical University at Munich. He was nominated as a Young Global Leader by the World Economic Forum in 2010.

Maha Eltobgy

Maha Eltobgy is a Director at the World Economic Forum based in New York, where she oversees the community of private investors, which includes hedge funds, private equity and venture capital firms. She joined the Forum from Empire State Development, where she was Vice President of Marketing and responsible for managing New York State's iconic tourism marketing program, I LOVE NEW YORK. Prior to that she was Director of Business Planning at Louis Vuitton, Vice President at Pearson and Senior Consultant at William Kent International (WKI). She holds an MBA from INSEAD, an MA in International Studies, Economics and Middle East Studies from The Johns Hopkins University and a BA in International Studies and Business Administration from the University of South Carolina-Columbia.

Peter Gratzke

Peter Gratzke is a Project Manager at the World Economic Forum. He joined the Forum from the New York City Economic Development Corp. where he was a Project Manager in the Strategic Planning unit. Previously he was a Research Fellow at the UK National Endowment for Science, Technology and the Arts and a Researcher at the UK National Audit Office in London. He holds an MSc in Philosophy of the Social Sciences from the London School of Economics and an MA in Political Science, Economics and Anthropology from Ludwig Maximilian University in Munich.

ERNST & YOUNG

Maria Pinelli

Maria Pinelli is Global Vice-Chair for Strategic Growth Markets at Ernst & Young (EY) Global, a world leader in advising, guiding and recognizing entrepreneurs and high-growth companies. She advises clients who are focused on accelerating growth and achieving market leadership. With over 25 years' experience providing professional services to private and public companies, she has led more than 20 initial public offerings (IPOs) on three continents. Pinelli is truly passionate about supporting entrepreneurs and is heavily involved in creating a support network for them. She founded the Strategic Growth Forum, which convenes high-growth companies to share market insights and expertise, and oversees EY's renowned Entrepreneur Of The Year® program worldwide. Pinelli founded EY's Global Women in Business Advisory Council, as well as Entrepreneurial Winning Women™, a program to accelerate the growth of high-potential female entrepreneurs.

Pinelli has briefed on trends in entrepreneurship, innovation, economic growth, and those driving global activity in the IPO market to a number of organizations and governments: World Economic Forum; members of the G20; London Stock Exchange; US Senate Banking Committee; US Securities and Exchange Commission; and European Union and African governments.

She holds a degree in Commerce and French (Hons) from McMaster University, Canada, and completed executive education at Harvard and Kellogg School of Management. She is a Fellow, Chartered Accountant, CPA, ACA, and CA; Chair of the Network for Teaching Entrepreneurship (NFTE); and Member of the Steering Committee, World Economic Forum.

John Cunningham

John Cunningham has extensive business leadership, professional services and business start-up experience. He is currently a Manager at Ernst & Young LLP (EY) in its Strategic Growth Markets group, where he leads entrepreneurship initiatives in partnership with the World Economic Forum, including the release of Entrepreneurial Ecosystems Around the Globe and Early-Stage Company Growth Dynamics - the Entrepreneur's Perspective (World Economic Forum report, January 2014). While at EY, he has also worked on several global merger integration projects. Prior to joining EY, Cunningham successfully built and led several entrepreneurial ventures including BragStats; Best of Our Town, USA; and Velocity Sports Performance. He

holds a Master of Business Administration from University of Virginia's Darden Graduate School of Business, and a Bachelor of Science in Commerce from the University of Virginia's McIntire School of Business.

Rebecca Hiscock-Croft

Rebecca Hiscock-Croft is a Senior Strategic Analyst with global accounting and consulting firm Ernst & Young (EY) in New York. She focuses on entrepreneurship and capital markets for the firm's Strategic Growth Markets practice. Prior to joining EY, Hiscock-Croft was a Senior Economist at the investment bank Macquarie. She holds a Master's Degree in Financial Econometrics from the University of New South Wales, Australia, and has undergraduate degrees in International Business and International Relations from the University of South Australia.

VILLANOVA UNIVERSITY

Dr. Noah Barsky

Dr. Barsky is a professor at the Villanova University School of Business, USA. His research and teaching focus on performance measurement, business planning, risk assessment, and contemporary financial reporting issues. Other academic experience includes positions as a visiting MBA professor at INSEAD (Europe) and a visiting research scholar at the University of Melbourne (Australia). Dr. Barsky designs and delivers executive programs, management training, and educational seminars for various business organizations and professional associations across the globe.

He has authored five books and published over sixty articles in academic and professional journals, including *Strategic Finance*, *Commercial Lending Review*, *Corporate Finance Review*, *Journal of Law & Commerce*, and *Advances in Business Education and Training*. Dr. Barsky has received multiple university teaching excellence awards and has been recognized internationally for his scholarly writing and curriculum innovation. His professional experience includes practice in the fields of accounting and finance as an analyst, auditor, and business consultant. He earned his undergraduate and masters degrees from Penn State University, USA and his Ph.D. from the University of Connecticut, USA. He holds active licenses as a Certified Public Accountant and Certified Global Management Accountant.

ENDEAVOR

Linda Rottenberg

Linda Rottenberg is Co-founder and Chief Executive Officer of Endeavor, a non-profit organization transforming economies around the globe through high-impact entrepreneurship. With offices in 20 countries, Endeavor supports over 500 entrepreneurial firms that collectively command US\$ 6 billion in annual revenue and provide over 225,000 people with high-quality jobs. Rottenberg is considered one of the world's most dynamic experts on entrepreneurship and emerging markets, having appeared on *TIME*'s 100 "Innovators for the 21st century" and *Forbes*' "Impact 30" lists. She currently serves as an adviser to Abraaj Capital, a leading private equity investor in global growth markets. Rottenberg is a graduate of Harvard College and Yale Law School, USA. She lives in Brooklyn, New York with her husband and identical twin daughters.

Rhett Morris

As the Director of Endeavor Insight, Rhett Morris leads its research on high-impact entrepreneurship and emerging markets, directs the measurement of Endeavor's impact and provides analytical support for its internal operations. Before joining the Endeavor Global team, Morris worked as a consultant at Bain & Company. There, he was engaged on a variety of projects focused on international growth strategy development, customer segmentation and acquisition, and organization redesign. He first worked with Endeavor as a volunteer while living in Buenos Aires, Argentina in the fall of 2009. His previous work experience also includes serving as the confidential assistant to the mayor of Baton Rouge, Louisiana, USA. Morris earned a Master of Business Administration from Vanderbilt University, Tennessee, USA in 2007 and a bachelor's degree in History from Louisiana State University in 2003.

PURPOSE.COM

Jeremy Heimans

Jeremy Heimans is the Co-Founder and Chief Executive Officer at Purpose.com. Jeremy co-founded Avaaz.org, now the world's largest online political movement, GetUp.org, the Australian political movement with more members than all of Australia's political parties combined, and an advocacy group in the 2004 US presidential elections that raised millions in online donations to tell the stories of a group of women whose loved ones were in Iraq.

In 2011, Jeremy was the recipient of the Ford Foundation's 75th anniversary Visionaries Award. The World Economic Forum at Davos has named him a Young Global Leader and the World e-Government Forum has named Jeremy and Purpose co-founder David Madden among the "Top 10 People Who Are Changing the World of the Internet and Politics." He is one of Fast Company's Most Creative People in Business, and the Guardian named him one of the ten most influential voices on sustainability in the US. His work has been recognized in publications like The New York Times and The Economist. Jeremy began his career with the strategy consultants McKinsey and Company. He was educated at Harvard University and the University of Sydney and is a citizen of Australia and the Netherlands.

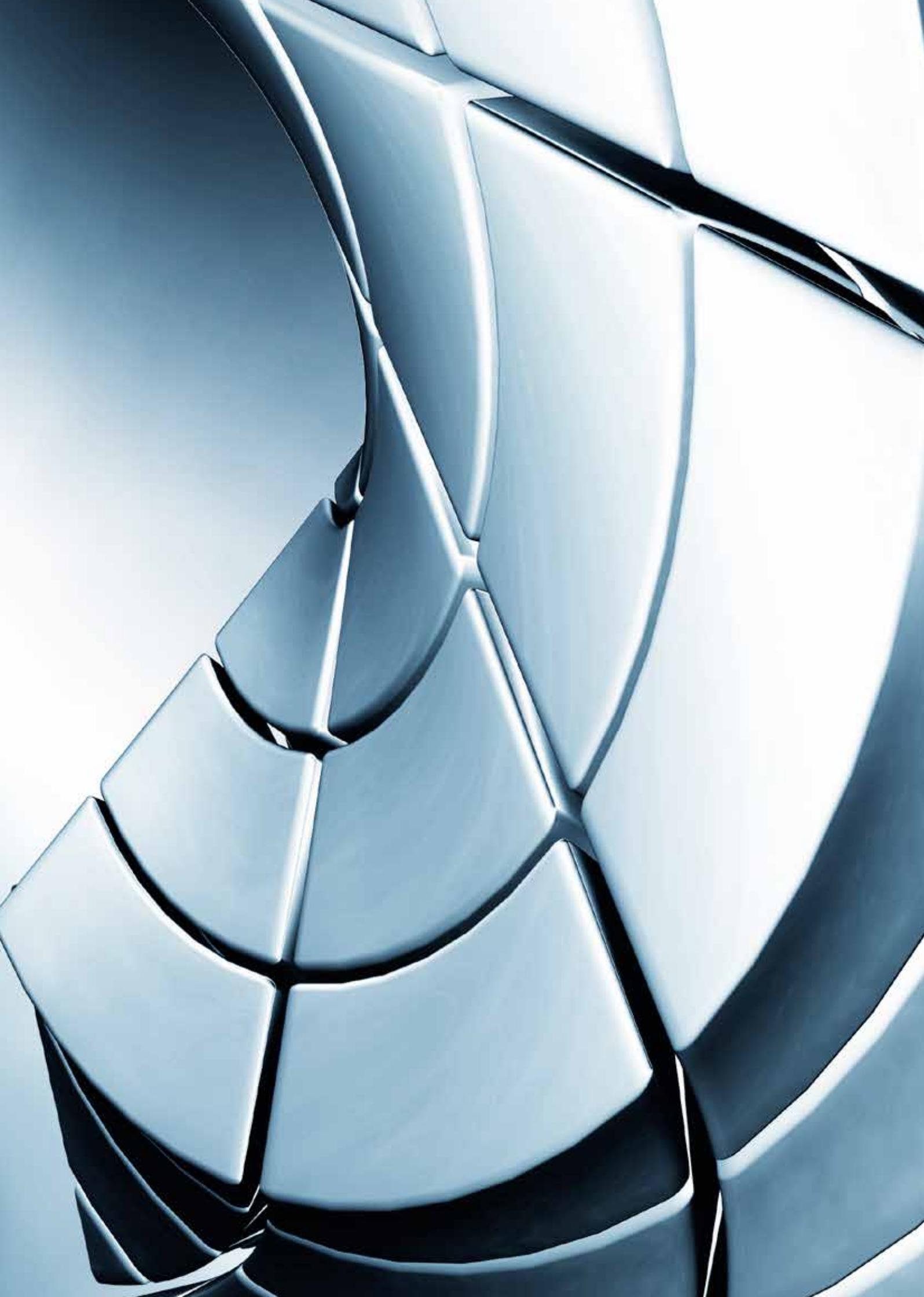
Kevin Steinberg

Kevin is the President & Head of Client Services at Purpose. In this role, Kevin helps set Purpose's strategic direction and is responsible for leading its client services efforts, which focus on helping thoughtful leaders and enlightened organizations mobilize people to effectively make change.

Through 2013, Kevin was the Chief Operating Officer of the World Economic Forum USA, the North American affiliate of the World Economic Forum. After founding the US organization, he oversaw its operations, served as Corporate Secretary, and led its growth to over one hundred staff and over \$50m in revenue. Prior to founding the US organization, he held a number of roles for the World Economic Forum in Switzerland.

Kevin spent ten years with McKinsey & Company as part of its North American Wholesale and Investment Banking practice as well as its Corporate Finance and Strategy group in Switzerland. Kevin continues to work with McKinsey as a Senior Advisor related to its societal engagement and sits on several for-profit and non-profit boards, including Claridge Inc., the New Center for Arts & Culture, and the Massachusetts Open Cloud. Kevin graduated from Stanford University with an M.B.A. and J.D., with distinction, and was elected to the Order of the Coif. He graduated from Harvard University with an A.B., magna cum laude, and is currently an adjunct professor at Brandeis University's International Business School.





Methodology

This report draws on data from the participants of the EY 2013 Entrepreneur Of The Year (EOY) contest. To participate, firms must have 10 or more employees or more, and exhibit a strong growth trajectory as measured by market share and profits. The EOY honors market-leading companies that exhibit strong growth and make communities and the world a better place.

The objective of the study was to identify the characteristics and growth path of high-impact entrepreneurial firms. This was achieved through analysis of key financial metrics. We analyzed the 669 companies that participated in the US EOY 2013 national contest. 19 of those were classified in sectors that did not lend themselves to further analysis (“other”, “non-profit”).

In order to facilitate the analysis in such a diverse group of companies, they were divided into three industry groupings: 228, 253 and 169 companies respectively.

We then eliminated incomplete data entries (a total of 22) and age outliers (a total of 44), which resulted in respective industry groupings of 212 (93% of the original sample), 223 (88%) and 149 (88%). The three industry groupings were further segmented into four age groups within each sector grouping. In each industry grouping, the age groups representing the four life cycle phases (*young, adolescent, maturing, adult*) were determined by a process of cluster analysis across the metrics outlined in the report (*RoA, sales/assets, EBITDA/sales*) while also taking into account headcount and absolute revenue. Those life cycle phase boundaries (age of a company) were chosen that resulted in the most significant difference between life cycle phases across those metrics, while at the same time not resulting in extreme sample size differences (e.g., no life cycle phase containing more than 50% or less than 10% of the overall sample). The process was conducted iteratively in the following fashion

- Eliminate companies with less than 3 years of age, as they do not yet have an established operating record (this affected a total of 6 companies, or less than 1% of the total sample set).
- Starting from an equally distributed sample and with the upper age limit at the maximum age of all companies, vary the first boundary (from *young* to *adolescent*) both upward and downward until sample size constraints are hit (where necessary, adjust the second boundary (from *adolescent* to *maturing*) and third boundary (from *maturing* to *adult*) to create “headroom”). Of those, pick the boundary that showed the clearest difference in metrics between young and adolescent.
- Reduce the upper age limit until it has either meaningful effect on the sample size or the metrics of the adult

lifecycle phase (this determines the “maximum age” for the industry group without being distorted by age outliers that do not impact the analysis).

- Vary the second boundary (from *adolescent* to *maturing*) both upward and downward until sample size constraints are hit (where necessary, adjust the third boundary (from *maturing* to *adult*) to create “headroom”). Of those, pick the boundary that showed the clearest difference in metrics between *adolescent* and *maturing*.
- Vary the third boundary (from *maturing* to *adult*) both upward and downward until sample size constraints are hit. Of those, pick the boundary that showed the clearest difference in metrics between *maturing* and *adult*.
- This process helped establish the most natural boundaries in company age for each industry group, according to the metrics used in this report – thus allowing us to gain insights at which age companies in a certain industry group will typically reach a certain lifecycle phase.

Segmenting companies by industry and age enables analysis of common attributes of “top performing” firms (as defined below), as they move through their life cycle, a framework for our Launch, Build, Run, Reinvent model. For each age group, the study assessed firms through two main metrics;

- 1) sales/assets (asset turnover) and
- 2) EBITDA/sales (EBITDA margin)

The study also looked at the EBITDA return on assets (EBITDA/assets) of these companies which we abbreviate RoA. We considered relative performance on asset turnover and EBITDA margin for participant firms at each stage of their life cycle, which offers insight on the major factors as entrepreneurial firms grow and scale. The study examined the survey responses on factors including investment; access to capital; talent management and expansion strategy. Characteristics of top performing firms, including headcount; assets; sales and EBITDA, are also examined by industry and age group. (We choose EBITDA over other profit measures, as it is both widely used as a valuation metric, and least polluted by accounting charges that might vary strongly by industry.)

Within the report, we utilized the OECD’s definition of “high-impact” for entrepreneurs who exhibit 20% or greater annual growth in employment and 20% or greater annual growth in sales over three years for entrepreneurs with 10 employees or more. Since the data in the survey for this report only cover a two-year period, this report follows the OECD’s definition, with the limitations of a shorter time period covered.

Frontier Industries	Technology	146
	Biotech/Med, Tech/Pharma	33
	Media, Arts and Entertainment	23
	Cleantech	13
	Telecommunications	13
Traditional industries	Retail and Consumer Products	73
	Distribution and Manufacturing	72
	Real Estate and Construction	34
	Oil and Gas, Power and Utilities	30
	Hospitality and Leisure	20
	Automotive	15
	Transportation	6
	Agriculture	3
	Service industries	Services
Health Care Services		49
Financial Services		46
Education		6
Marketing and Communications		3
Government Services		2

Table A.1: Sector breakdown of industry groups

Data Tables for Lifecycle Phases and Industry Groups

Industry	Life stage	Age (years)	# of companies
Frontier Industries	Young	3-5	39
	Adolescent	6-8	50
	Maturing	9-14	76
	Mature	15-33	47
Traditional industries	Young	3-8	58
	Adolescent	9-12	47
	Maturing	13-26	55
	Mature	27-70	63
Service industries	Young	3-6	28
	Adolescent	7-10	31
	Maturing	11-16	41
	Mature	17-60	49

By Industry

(median values)	Young firms								
	Frontier Industries			Traditional Industries			Services Industries		
	All firms in group	OECD High-Impact	EOY Award Winners	All firms in group	OECD High-Impact	EOY Award Winners	All firms in group	OECD High-Impact	EOY Award Winners
Assets [\$m]	13.00	20.58	21.96	13.91	12.88	32.74	12.34	18.50	15.48
Sales [\$m]	16.00	16.92	32.96	22.91	26.78	72.67	31.66	44.12	55.15
2-year sales growth p.a.	166%	171%	171%	74%	103%	72%	132%	152%	146%
EBITDA [\$m]	-0.80	-4.43	1.32	2.27	1.50	5.97	3.61	6.20	8.21
RoA	-9.0%	-17.3%	9.4%	19.0%	21.6%	13.4%	28.3%	29.4%	29.5%
sales/assets	178%	170%	185%	237%	261%	226%	365%	363%	356%
EBITDA/sales	-6.5%	-12.8%	12.2%	9.2%	8.5%	10.4%	12.8%	13.4%	14.9%
Headcount	97	130	126	94.5	110	96	103	233	233
2-year headcount growth	127%	116%	163%	64%	83%	86%	68%	69%	67%
# of companies in sample	39	20	11	58	28	16	28	17	13

(median values)	Adolescent firms								
	Frontier Industries			Traditional Industries			Services Industries		
	All firms in group	OECD High-Impact	EOY Award Winners	All firms in group	OECD High-Impact	EOY Award Winners	All firms in group	OECD High-Impact	EOY Award Winners
Assets [\$m]	20.53	17.20	84.57	30.85	35.00	35.00	24.27	65.33	83.91
Sales [\$m]	35.83	30.58	88.00	66.53	66.53	78.99	34.15	43.87	44.10
2-year sales growth p.a.	67%	94%	67%	36%	61%	50%	45%	60%	65%
EBITDA [\$m]	2.63	1.08	2.84	4.06	12.61	8.03	3.20	2.37	0.19
RoA	13.3%	8.3%	13.4%	25.7%	28.2%	25.9%	23.3%	15.0%	4.8%
sales/assets	176%	168%	168%	242%	242%	255%	150%	78%	72%
EBITDA/sales	5.2%	5.0%	4.7%	11.4%	16.9%	14.5%	10.9%	9.3%	0.0%
Headcount	107	113	207	193	211	299	158	151	371
2-year headcount growth	55%	61%	57%	29%	51%	34%	27%	53%	58%
# of companies in sample	50	33	19	47	15	17	31	14	8

(median values)	Maturing firms								
	Frontier Industries			Traditional Industries			Services Industries		
	All firms in group	OECD High-Impact	EOY Award Winners	All firms in group	OECD High-Impact	EOY Award Winners	All firms in group	OECD High-Impact	EOY Award Winners
Assets [\$m]	28.84	33.05	48.90	38.23	22.66	66.73	29.01	34.50	35.54
Sales [\$m]	32.09	32.57	54.00	80.24	82.73	98.38	44.62	45.65	45.13
2-year sales growth p.a.	44%	70%	31%	21%	71%	23%	27%	65%	21%
EBITDA [\$m]	3.15	3.68	5.34	9.91	2.67	13.97	5.20	7.06	9.87
RoA	14.3%	15.1%	18.8%	18.8%	15.6%	18.1%	22.0%	40.9%	32.5%
sales/assets	141%	137%	139%	182%	272%	173%	220%	160%	231%
EBITDA/sales	10.6%	11.3%	12.9%	11.0%	9.2%	12.4%	14.8%	15.5%	24.7%
Headcount	170	220	278	235	69	415	233	227	333
2-year headcount growth	38%	52%	37%	18%	37%	20%	26%	61%	32%
# of companies in sample	76	31	25	55	5	23	41	7	10

By Life Stage

(median values)	Young firms			Adolescent firms		
	All firms in group	OECD High-Impact	EOY Award Winners	All firms in group	OECD High-Impact	EOY Award Winners
Assets [\$m]	13.00	18.50	25.43	25.11	27.25	55.21
Sales [\$m]	23.48	27.63	56.54	39.40	38.42	61.08
2-year sales growth p.a.	103%	145%	118%	47%	79%	56%
EBITDA [\$m]	1.32	1.36	6.11	3.17	2.48	3.37
RoA	14.9%	15.4%	24.0%	17.0%	14.0%	15.2%
sales/assets	224%	234%	226%	213%	185%	213%
EBITDA/sales	8.3%	7.2%	12.2%	8.8%	10.5%	9.8%
Headcount	97	127	127	134	142	220
2-year headcount growth	74%	85%	81%	35%	57%	49%
# of companies in sample	125	65	40	128	62	44

(median values)	Maturing firms			Adult firms		
	All firms in group	OECD High-Impact	EOY Award Winners	All firms in group	OECD High-Impact	EOY Award Winners
Assets [\$m]	31.15	33.05	49.42	59.05	83.70	140.82
Sales [\$m]	41.32	33.61	68.53	73.00	114.78	210.56
2-year sales growth p.a.	29%	70%	26%	19%	71%	21%
EBITDA [\$m]	4.47	4.15	9.16	9.35	10.69	20.43
RoA	17.1%	15.6%	18.8%	16.5%	19.6%	16.4%
sales/assets	165%	149%	165%	184%	225%	142%
EBITDA/sales	11.0%	11.3%	13.6%	12.0%	11.3%	12.1%
Headcount	194	201	318	356	288	700
2-year headcount growth	26%	52%	32%	14%	79%	15%
# of companies in sample	172	43	58	159	14	63

(median values)	All life stages*			All submissions**			All submissions (full sample)		
	All firms in group	OECD High-Impact	EOY Award Winners	All firms in group	OECD High-Impact	EOY Award Winners	All firms in group	OECD High-Impact	EOY Award Winners
Assets [\$m]	27.63	24.93	50.30	29.28	25.32	55.96	28.84	24.54	53.07
Sales [\$m]	43.88	34.12	77.05	47.37	34.15	83.12	45.83	34.15	79.89
2-year sales growth p.a.	34%	92%	37%	31%	93%	33%	30%	93%	32%
EBITDA [\$m]	4.20	2.86	8.77	4.58	2.88	9.60	4.29	2.82	8.96
RoA	16.8%	15.5%	17.1%	16.4%	15.6%	17.0%	16.5%	15.6%	17.2%
sales/assets	191%	185%	182%	187%	185%	174%	186%	185%	174%
EBITDA/sales	10.9%	9.3%	12.2%	10.9%	9.4%	12.2%	10.9%	9.2%	12.6%
Headcount	190	160	305	201	160	340	201	161	326
2-year headcount growth	28%	64%	33%	27%	64%	31%	27%	65%	29%
# of companies in sample	584	184	205	628	185	224	650	189	230

* excludes submissions with “ranged” answers and companies outside age brackets (e.g., older than 70 years)

** excluding “ranged” answers, but including companies outside age brackets (e.g., older than 70 years)







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