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## A Look at the Entrepreneurial Landscape - US Company Demographics



## NML Companies – *the NEW economy heroes!*



1. From 2006 through 2010, companies in *No Man's Land*:
  - ✓ *Added 8-times as many new jobs...*
  - ✓ *Grew at a rate almost 4-times faster...*
  - ✓ *Expanded 3-times more often...*
2. They account for less than *3% of all businesses*, yet contribute *30% of all new jobs* added by all businesses.

## Shrinking Corporate Market

### Business Establishment Counts: 12-Year Trend

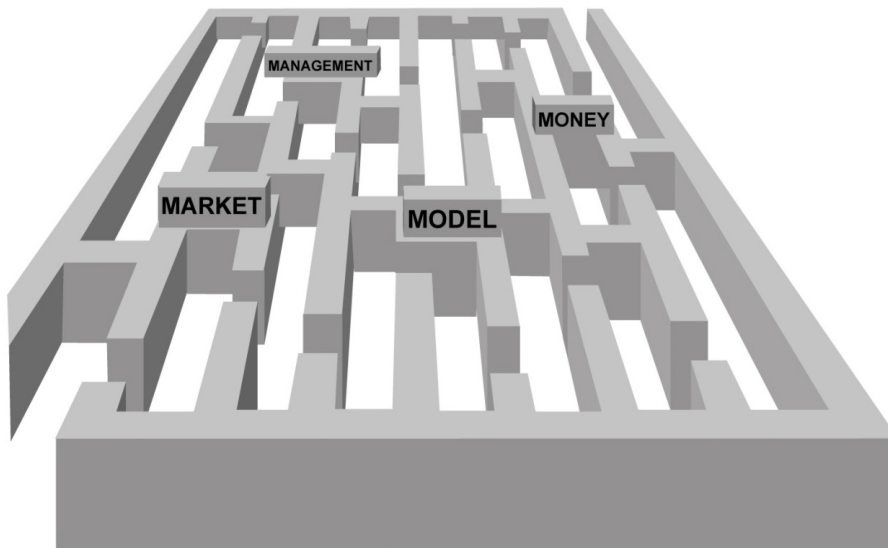


| Employee Size | 2006       | 2017       | Difference | % Change |
|---------------|------------|------------|------------|----------|
| 1             | 1,791,391  | 1,881,851  | 90,460     | 5%       |
| 2-19          | 9,849,217  | 10,113,328 | 264,111    | 3%       |
| 20-99         | 1,098,046  | 1,101,475  | 3,429      | 0%       |
| 100-249       | 155,856    | 148,279    | -7,577     | -5%      |
| 250-499       | 35,383     | 31,144     | -4,239     | -12%     |
| 500-999       | 13,666     | 11,626     | -2,040     | -15%     |
| 1000+         | 9,020      | 7,636      | -1,384     | -15%     |
| Totals        | 12,952,579 | 13,295,339 | 342,760    | 3%       |

# Meeting the Growth Challenge

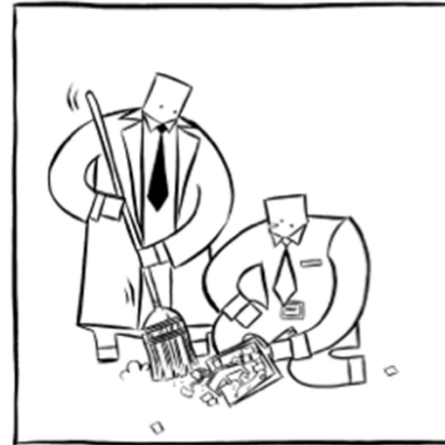
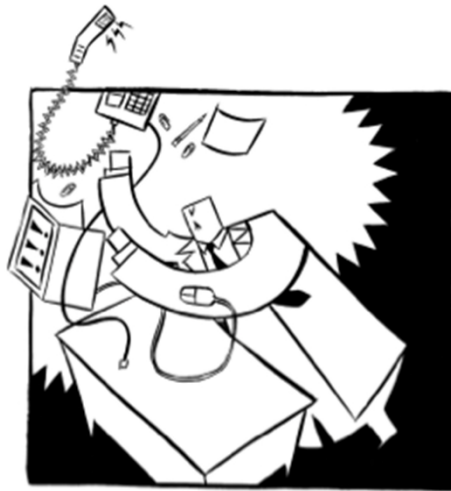
## A Map through No Man's Land

The Four Ms



- The **Market**
- The **Management**
- The **Model**
- The **Money**

# The Approach to the Market



# Innovating the Development of Innovation

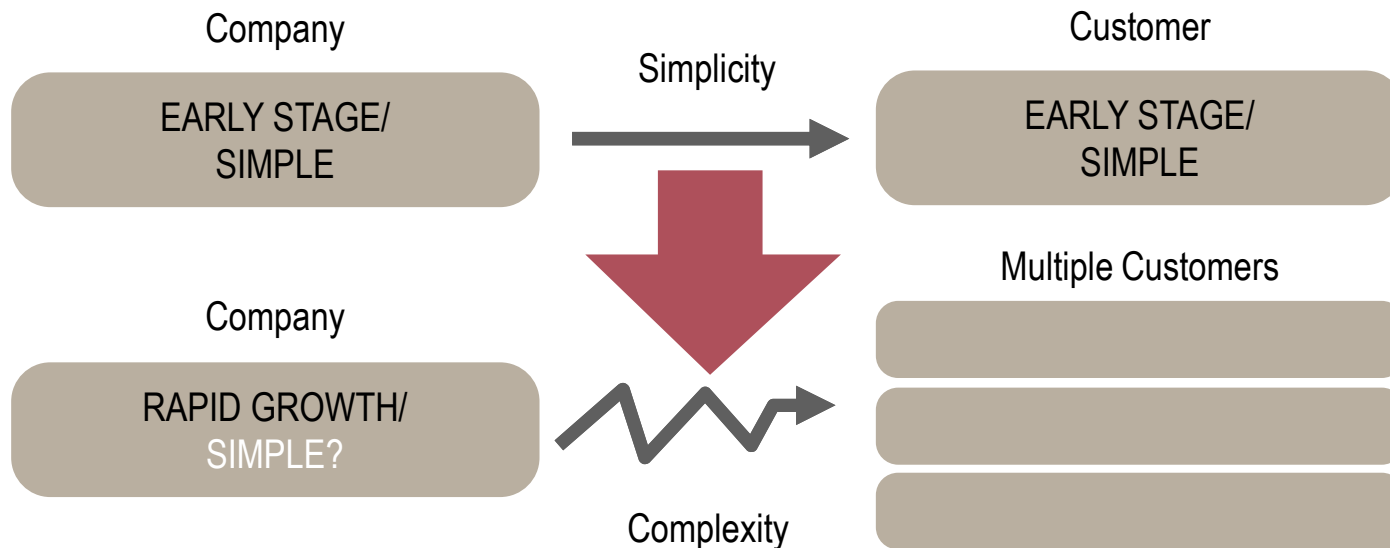
*The Difficulty in Replicating the Entrepreneurial Ecosystem*  
*Industrial Research Institute*  
*Vol. 50 Number 3*

- The approach to the **Market**
- The **Management** Culture
- The Financial **Model**
- Capital Deployment – the **Money**

# Meeting the Growth Challenge

## A Map through No Man's Land

Market Mis-alignment



Market Mis-alignment is the natural progression of  
Entrepreneurial Control



# Meeting the Growth Challenge

## A Map through No Man's Land

The Market Navigation Rule



The business as a whole must become good at doing what the Entrepreneur did well with customers in order to successfully re-create Market Alignment

## Blind Spot #3: Value Proposition

**85%**

CEOs say their employees can clearly state their company's value proposition

**7%**

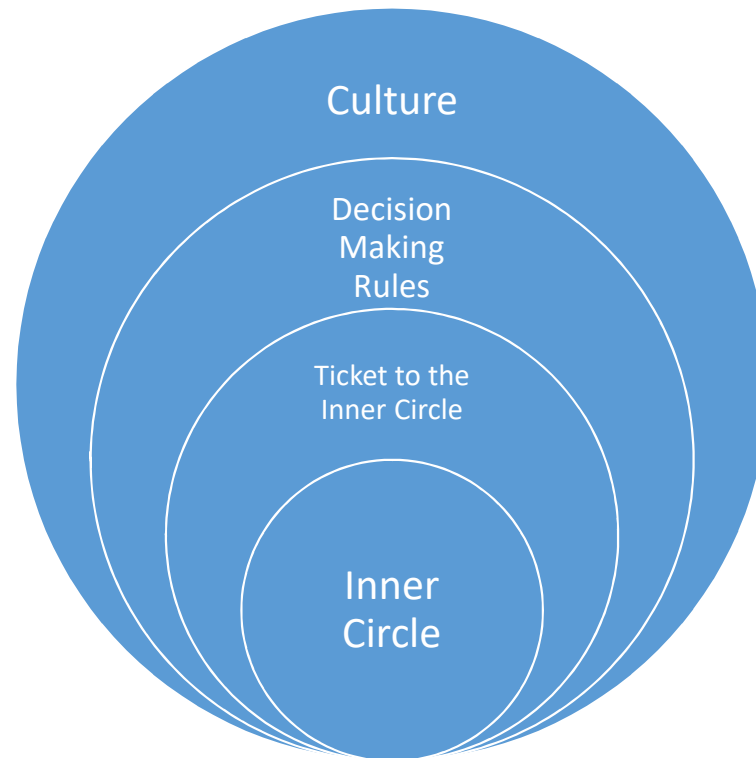
leadership teams can articulate a common value proposition

# The Management Culture



# Culture

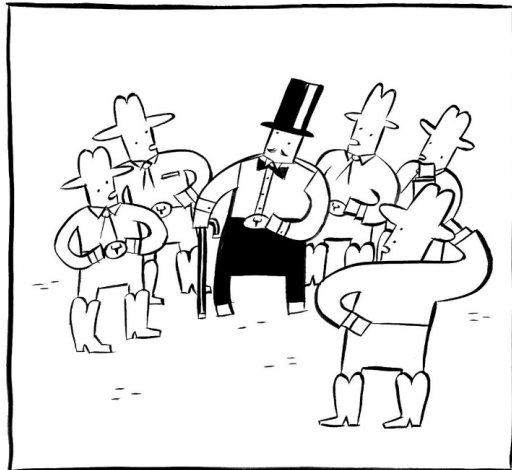
*Everybody blames it - Nobody defines it*



# Meeting the Growth Challenge

## A Map through No Man's Land

The Management Navigation Rule



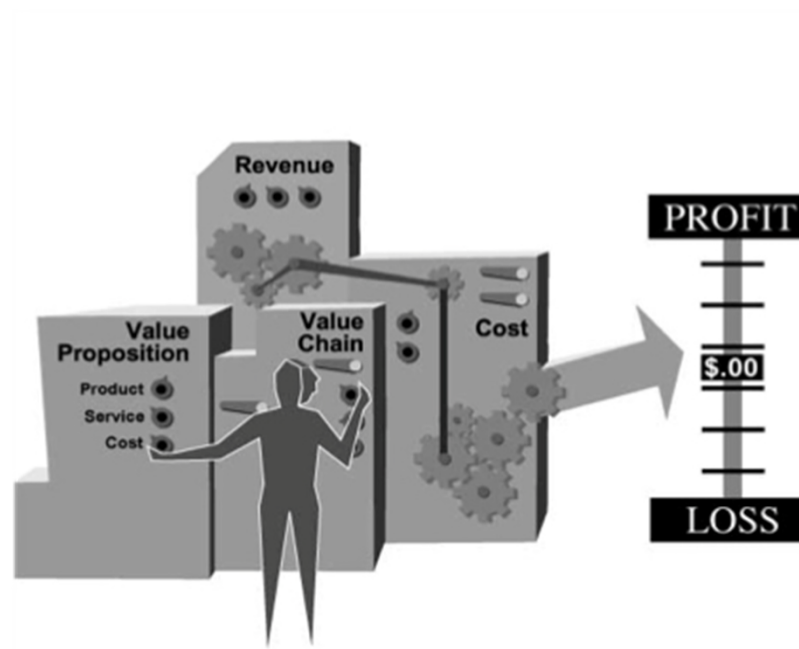
The founder must hire at the top first,  
not the middle, to successfully navigate  
through No Man's Land

## Blind Spot #2: Accountability

**86%** CEOs believe that everyone is held accountable for performance

**20%** leadership teams agree

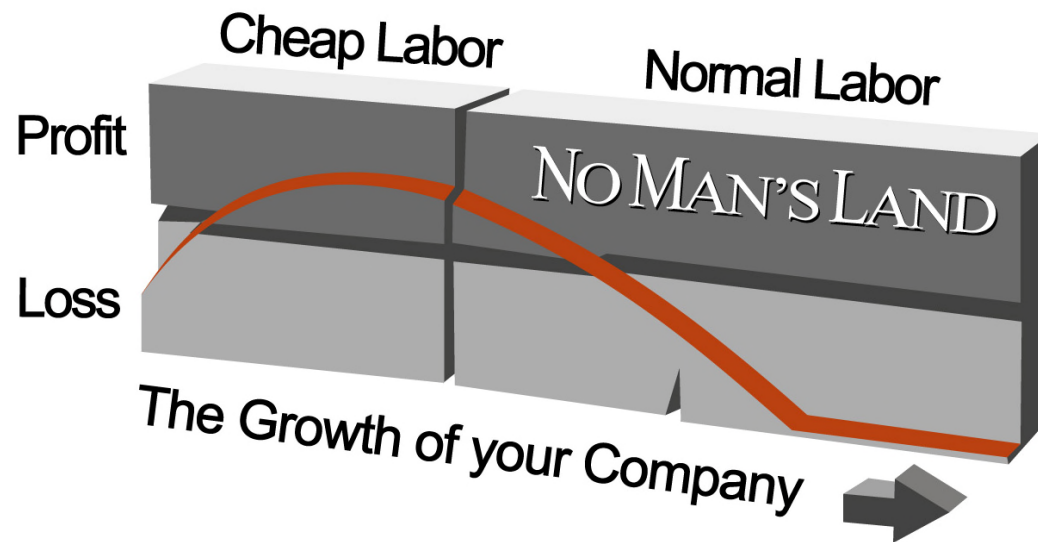
# The Financial Model



# Meeting the Growth Challenge

## A Map through No Man's Land

The Model

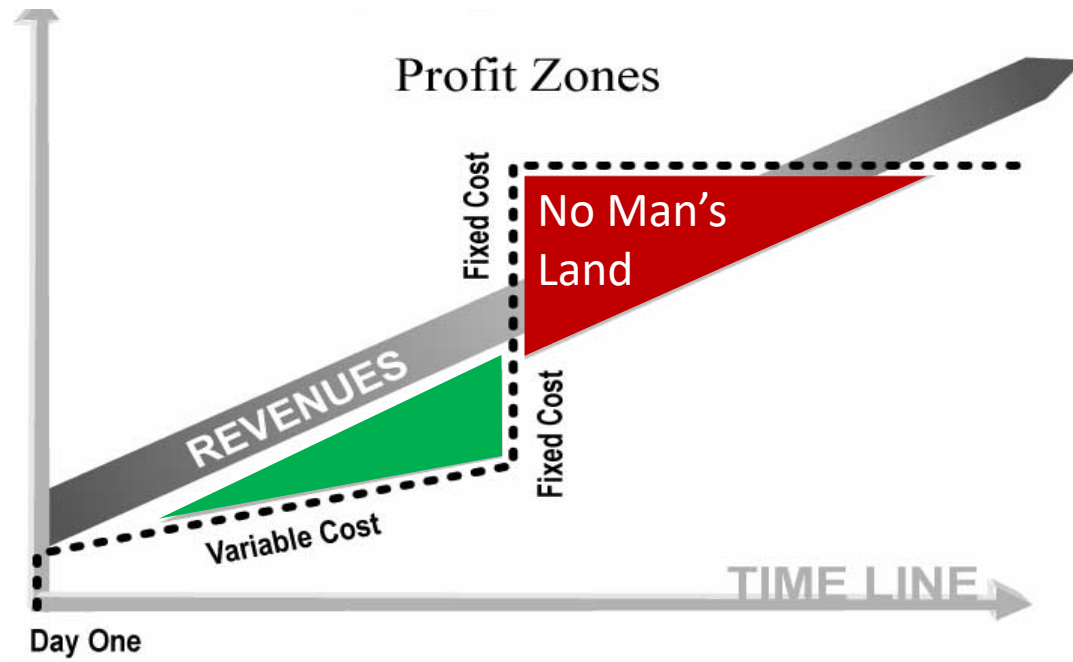




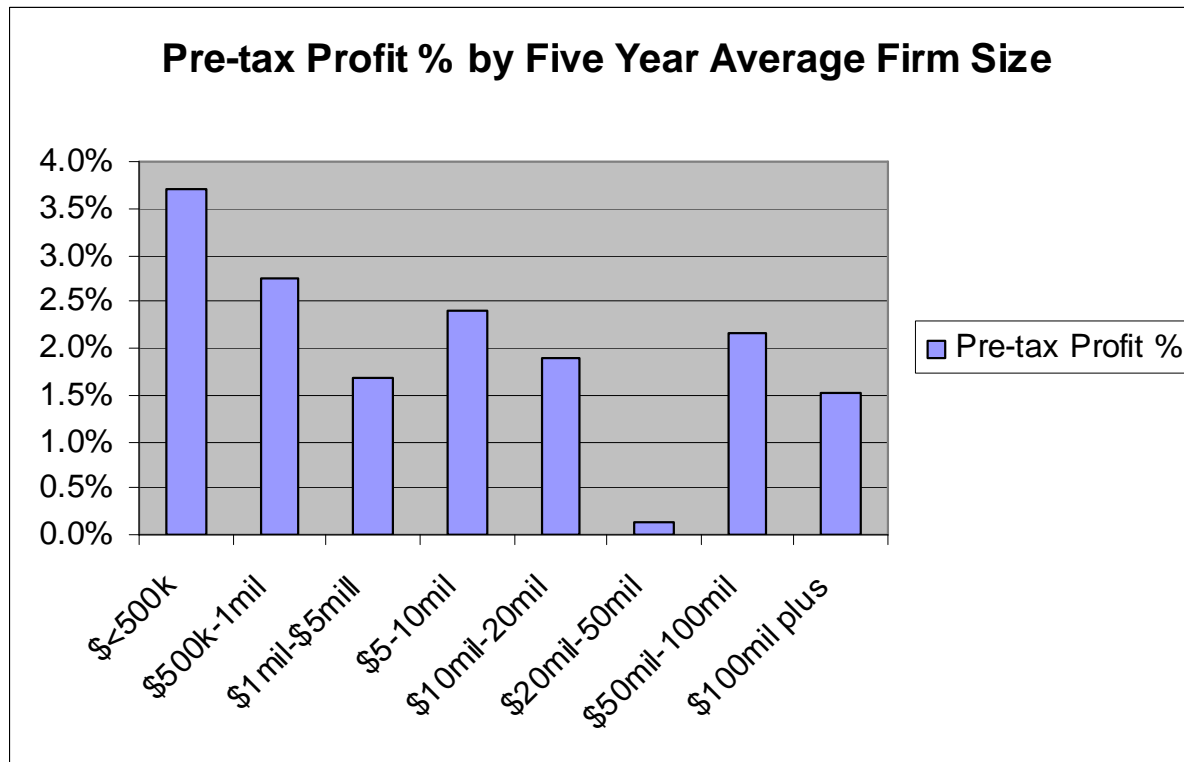
# “Capital Cost of Employee”

*terms - 7 year, 8% term note*

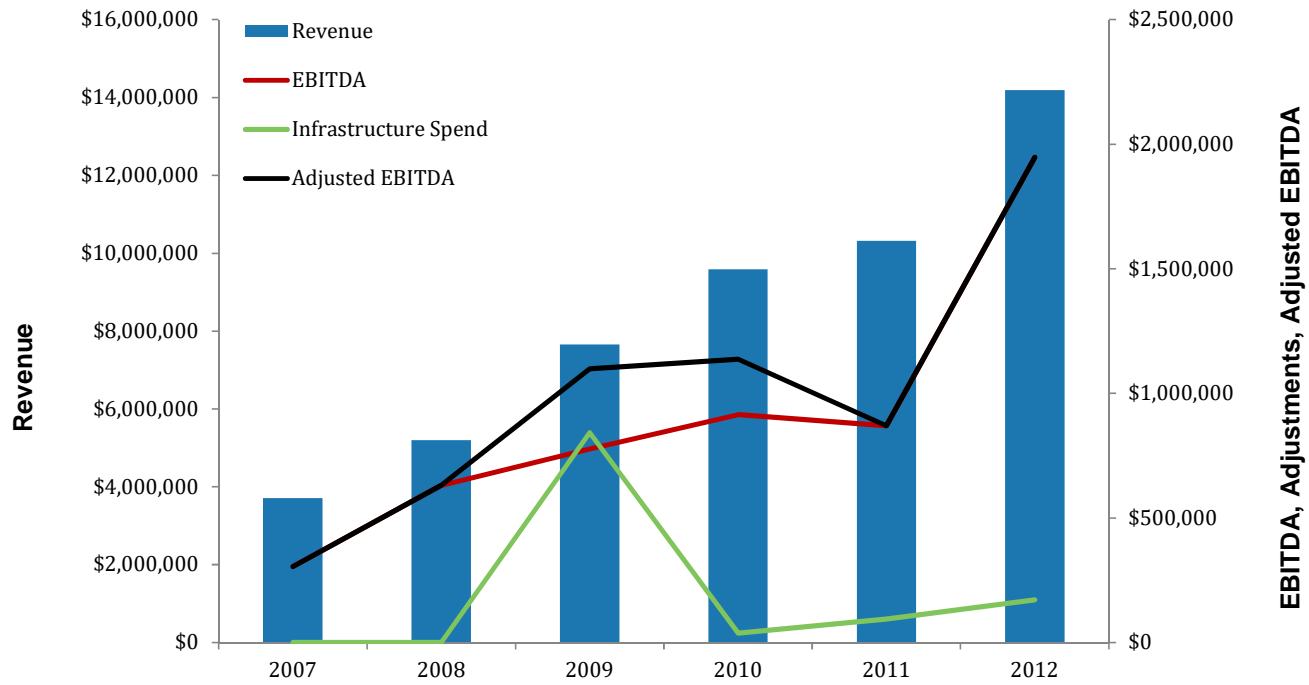
| <b>Borrowed<br/>Equivalent</b> | <b>Salary<br/>Monthly</b> | <b>Amount<br/>Annually</b> |
|--------------------------------|---------------------------|----------------------------|
| 100,000                        | 1,559                     | 18,703                     |
| 150,000                        | 2,338                     | 28,055                     |
| 200,000                        | 3,117                     | 37,407                     |
| 250,000                        | 3,897                     | 46,759                     |
| <b>300,000</b>                 | <b>4,676</b>              | <b>56,110</b>              |
| 350,000                        | 5,455                     | 65,462                     |



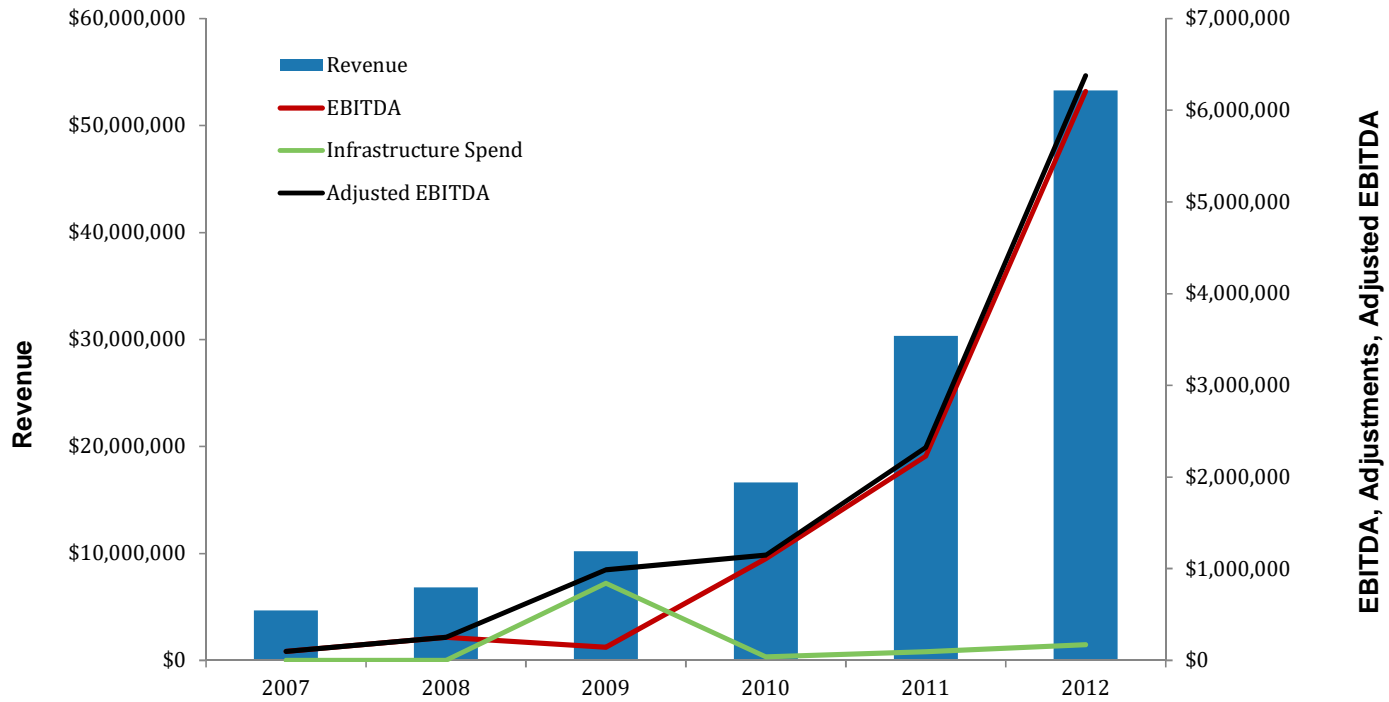
# The Case of the Freight Forwarding Industry



# Capital Case Study I

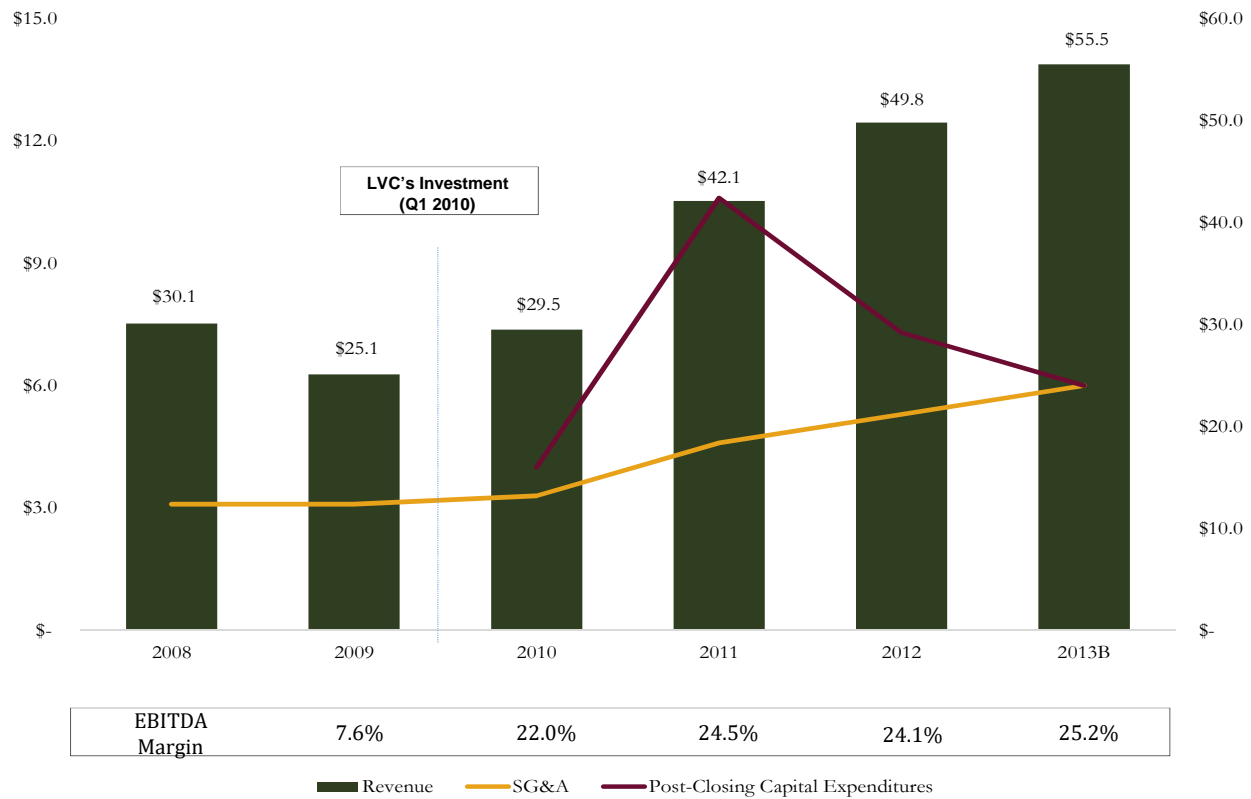


# Capital Case Study II



## Case Study I: Revenue, SG&A, Post-Closing Capital Expenditures and EBITDA Margins

(\$ in Millions)



[www.lvcpartners.com](http://www.lvcpartners.com)

# Meeting the Growth Challenge

## A Map through No Man's Land

The Model Navigation Rule

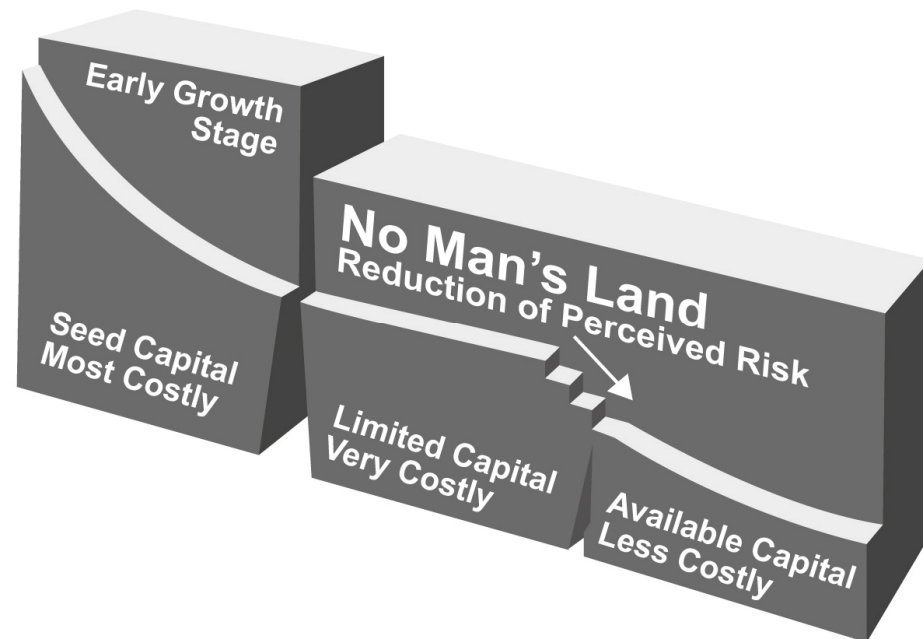
{ The business's value proposition must  
be scalable (profitable at a higher  
volume) to successfully navigate No  
Man's Land }

# The Money Capital Deployment



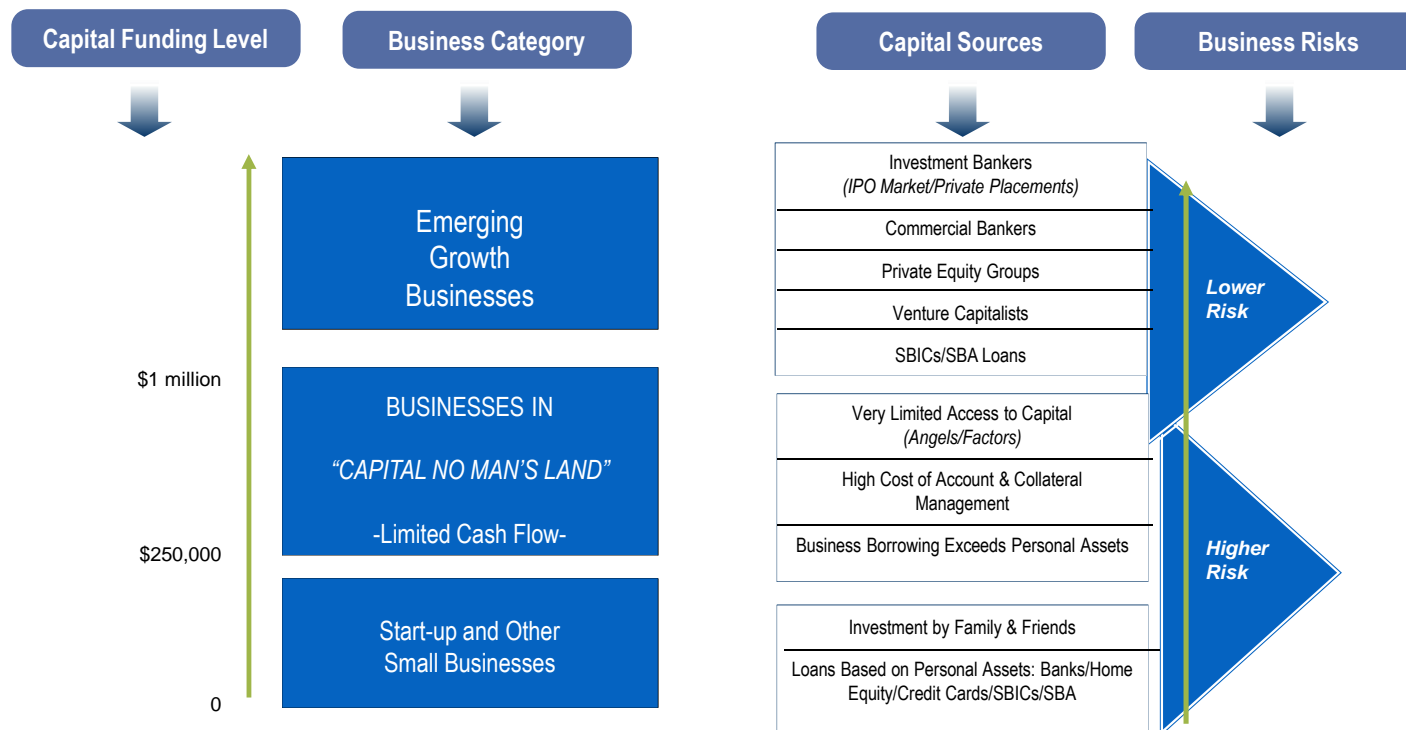


# Risk Reduction



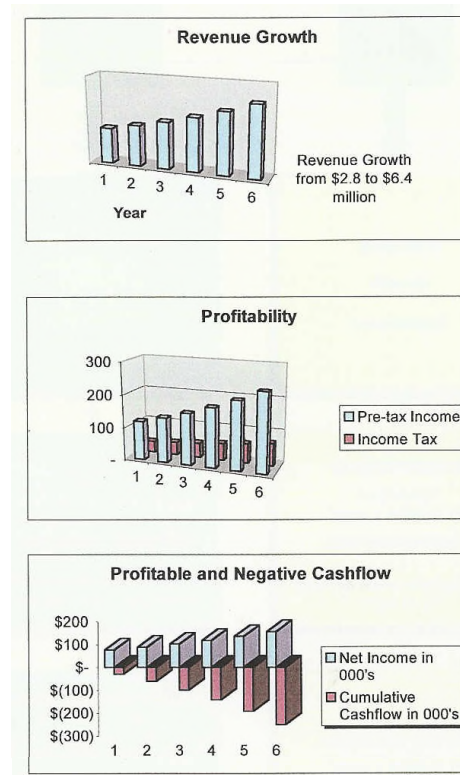
# Illustration of “Capital Funding Gap”

## Capital Funding Sources & Risks For Small & Emerging Business



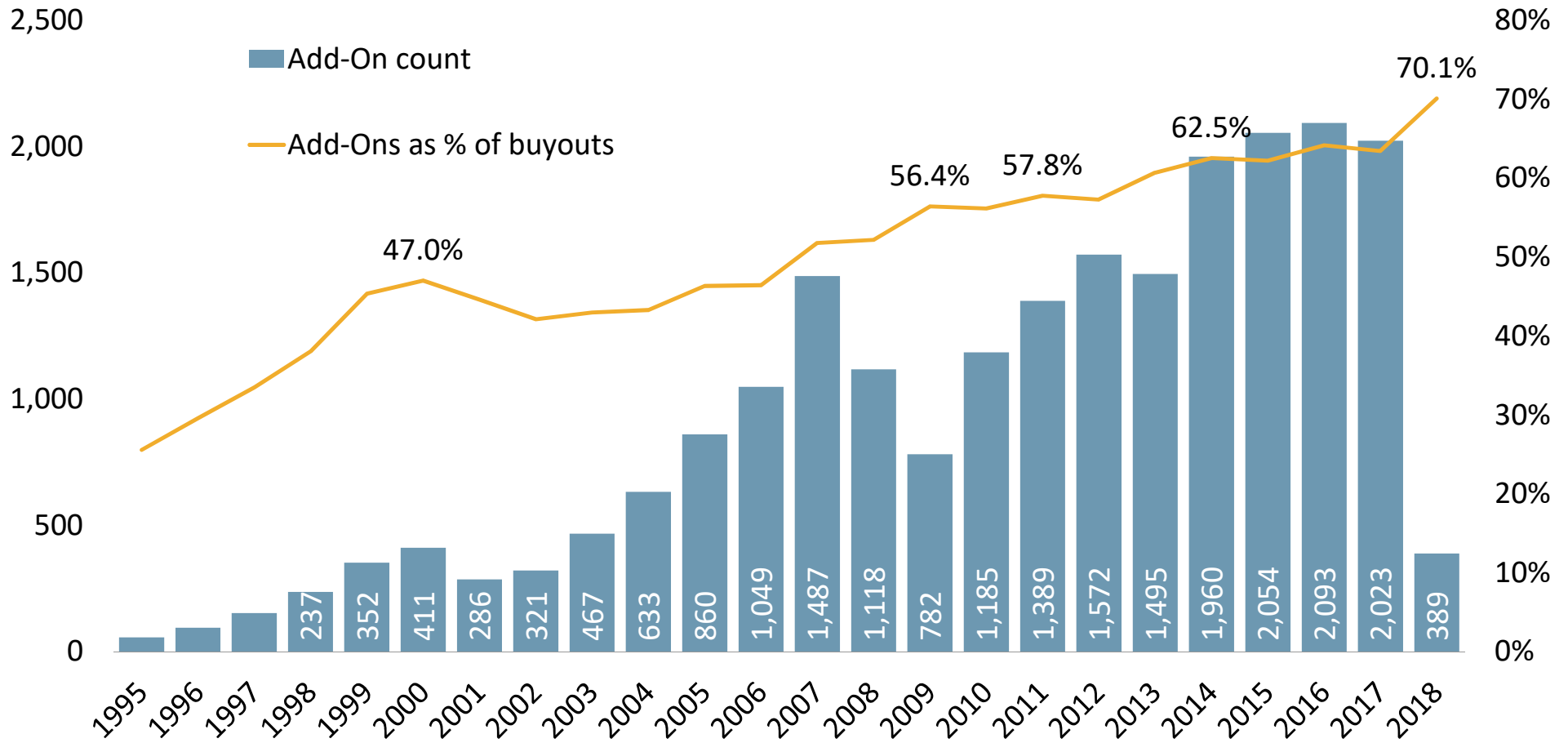
# Microeconomics of Growth

The following illustrations were built from an economic model that accounts for the typical asset growth characteristics of a rapidly expanding business on accrual accounting and transitioning through "No Man's Land."



# Add-ons as a % of all PE buyout deals

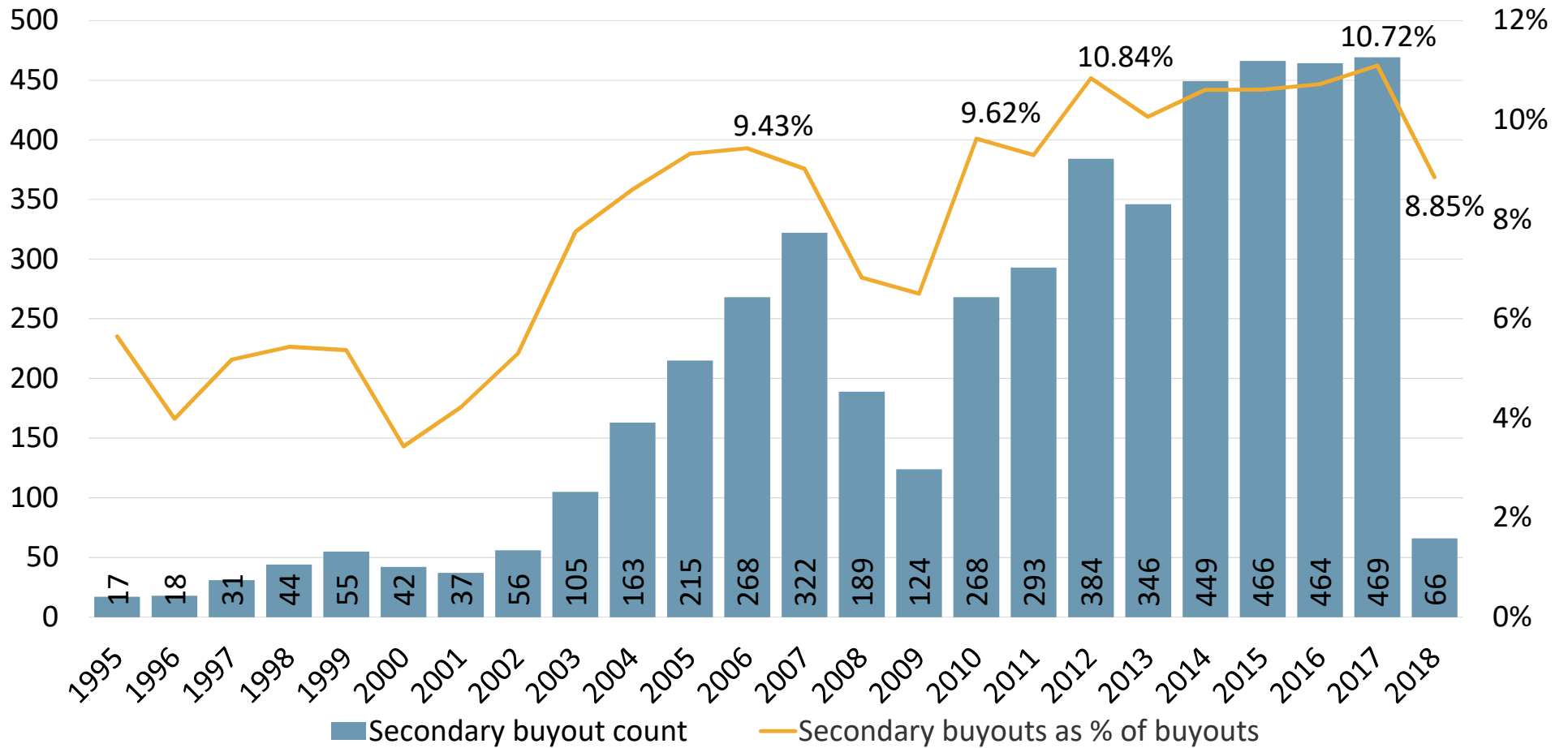
Source: PitchBook



\*as of 3/19/2018

# Secondary buyouts as a % of all PE buyouts

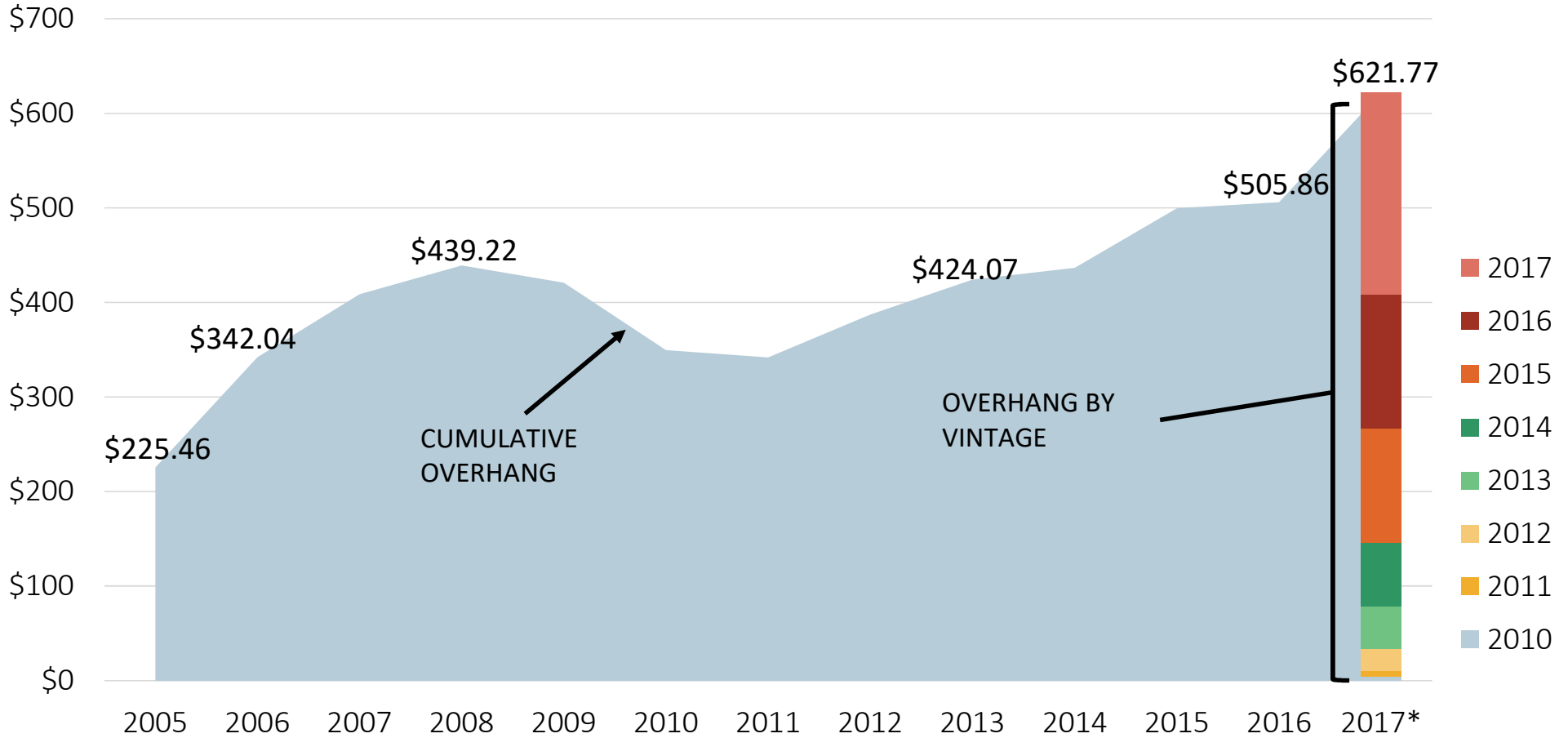
Source: PitchBook



\*as of 3/19/2018

# U.S. private equity capital overhang

Source: PitchBook



# Meeting the Growth Challenge

## A Map through No Man's Land

The Money Navigation Rule



The key to raising money is reducing real  
and perceived risk of the company

# General Thoughts and Conclusions

