

Navigating Leadership Challenges in the Business Lifecycle Series

Prepare to lead: *How you lead today won't get you through tomorrow*

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The dream

You have a business idea—a really great idea. The idea consumes you and you put more and more work into it. The idea begins to take shape. A business plan. A company name. Maybe an office, maybe not. Perhaps a small business loan, some seed money from an angel investor or friends and family, your own hard earned capital. And suddenly, you are an entrepreneur.



You work hard and the market likes your idea. Your new business venture takes off and you now have a new title: CEO. But it's just a title. You are working insane hours, hiring your first employees, getting that first prototype to market, working on a shoestring budget, and keeping your fingers crossed. And then it happens. Your first big client signs the contract, and that CEO title feels very real. The startup days are over and you are ready to grow the business.

The business has core customers who are referenceable. The brand is starting to be recognized and you can see traction in the marketplace. Growth really starts to accelerate, and you realize that the organization simply cannot scale with the team and infrastructure you have in place. You must decide whether to slow growth to scale the business or accelerate to drive revenue. In either case, you need real investment capital to move forward. **You need to lead differently.**

You've successfully scaled and become a leader in your industry. Processes are in place, things are humming—but competitors are nipping at your heels. You are a little bored and maybe a little worried—are we still the market leaders? One of your core customers defects to a competitor. You see a need to create change, and you're unsure whether the team that helped you get here is the right one to take you forward. You need to re-imagine the business. **You need to lead differently.**

You look back. It's been an amazing journey. You remember the days when a paper clip seemed like it would break the bank. That time you hired your COO because you knew she could do the job, even when everyone else gave her a thumbs down. Your company has a terrific reputation, great market share, and the business is thriving. You are ready to leave. You need to find a new leader, get the team on board, guide the transition—and walk away. **You need to lead differently.**

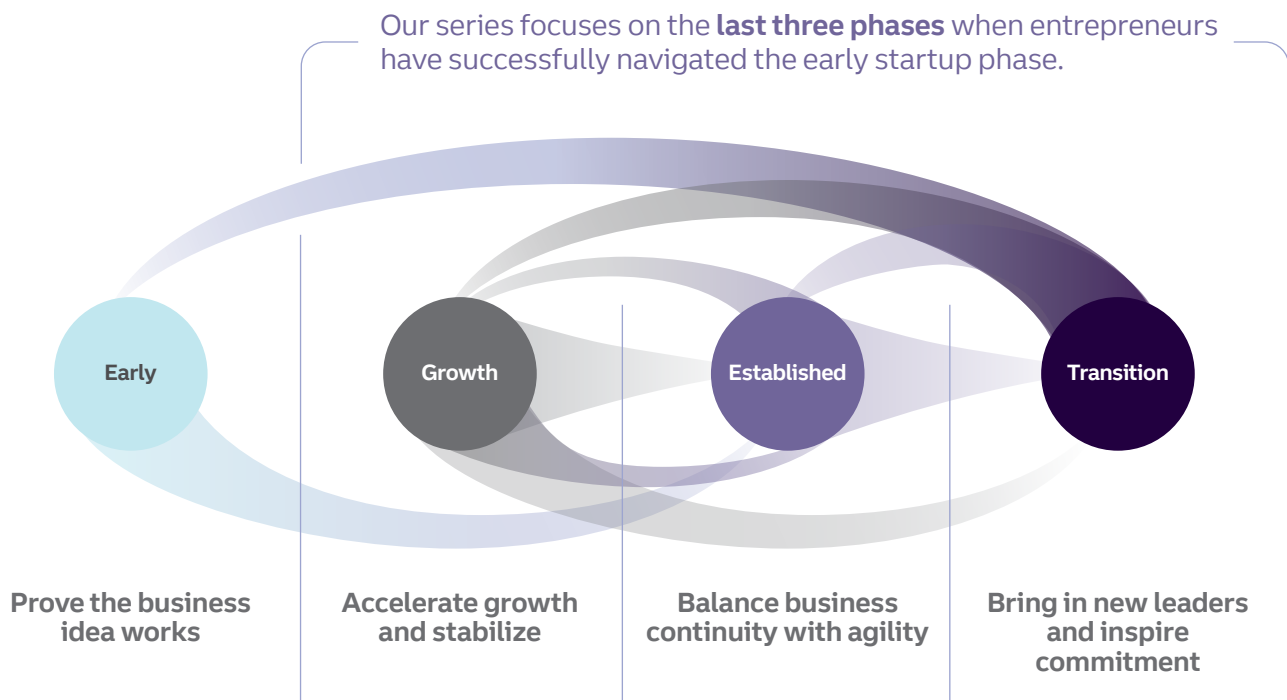
Businesses fail when leaders are not prepared for the challenges ahead.

Millions of entrepreneurs have this dream—but very few realize it. In fact, most businesses don't make it. Approximately 20% of new businesses fail during the first two years of being open, 45% during the first five years, and 65% during the first 10 years (Commerce Institute, 2024). While venture capital funding can enhance a startup's chances of success (National Venture Capital Association, 2023), even businesses funded by VCs may not thrive in the long run (Griffith, 2023).

Why do businesses fail? The potential causes include everything from lack of capital to technology disruptors to shifts in government policies and regulations. But one central cause is clear: A CEO and executive team that are not prepared to navigate the inevitable opportunities and challenges that every business faces. Leaders must be equipped to lead through the challenges of the next business phase. What got them through today's challenges will not get them through

tomorrow's. And that lack of leadership capacity puts the business at risk.

Every business has a distinct business lifecycle, including the early startup phase, accelerated growth, maturation (and sometimes decline), and a transition phase when executive leadership changes. Truist has developed a business lifecycle model that includes these four distinct phases: Early, Growth, Established, and Transition.



Each phase has a central tension that CEOs must navigate to prepare their company for the next phase:

- **Growth:** Decide how to invest resources to both stabilize the business and accelerate revenue and customer acquisition
- **Established:** Ensure the company has the flexibility to innovate and adapt to change while retaining business continuity
- **Transition:** Prepare a CEO and management team to lead while maintaining the passion and loyalty of employees and customers

These tensions create four specific leadership challenges for CEOs as they seek to grow, expand, and transition their businesses.





Every business phase has four leadership challenges.

Truist Leadership Institute has identified four central leadership challenges for every business phase, summarized below:

Growth Phase:

- **Creating an operating model:** The company has grown quickly—but is having difficulty scaling.
- **Delegating to others:** Managers may be too dependent on the CEO to make decisions—and the CEO may foster that dependence.
- **Putting the right talent in the right role:** The startup team may have worn many hats, but now structure needs to be implemented with the right people in place.
- **Inspiring the organization to follow:** The heady startup days are over and the CEO needs to inspire passion and engagement among employees as the business matures.

Established Phase:

- **Decentralizing decision-making:** Bureaucracy and red tape need to be minimized so teams can be agile and problem solve on their own.
- **Minimizing polarities:** Teams may be in conflict about the competing goals of ensuring business continuity vs. innovating to disrupt the business.
- **Creating agility:** The company may be finding it difficult to respond to swiftly changing market needs and faces becoming irrelevant.
- **Breaking things:** Fear about disrupting the status quo may make innovation difficult—but the cost of doing nothing outweighs inertia.



Transition Phase:

- **Planning for the successor:** The CEO must pass the baton to a new leader—whether that person is their choice or not.
- **Reinvigorating passion:** The CEO's departure may create uncertainty among customers and employees. Now is the time to emphasize the company's purpose, vision, and mission.
- **Preparing the next leader and management team:** The new management team needs a graceful hand-off that gives them the why of past decisions and the latitude to make the business their own.
- **Shutting the door:** The CEO must actually leave and begin the next journey, even when others continue to want guidance.

The Truist Leadership Institute's leadership insights series, *"Navigating Leadership Challenges in the Business Lifecycle"* explores each of these phases and the associated leadership challenges. The articles offer insights into how to navigate these changes and point to a core theme: All leaders must move from "what to do" to "how to be"—a fundamental shift in leadership based in self-awareness and the development of leadership capacities to move their companies forward.

Why should executives care about this? Why should they invest in leadership development and the hard and sometimes painful work of change? **Because access to capital depends on leadership.**

Sooner or later, every leader encounters a moment when they realize that success has as much to do with leading themselves as it does with leading others. At that crucial moment, they switch from the traditional leader they thought they should be to one who adopts a human leadership approach. They start learning and growing to meet the demands of their position and to fulfill their boldest aspirations for their organization, their teams, and themselves.

(Kshirsagar et al., 2024)

Access to capital depends on leadership.

In the eyes of investors, leadership quality can affect a company's market value by up to 30 percent.

(Ulrich & Allen, 2017)



Throughout this series, we will emphasize a key theme: Businesses need capital to grow, and access to capital depends on leadership. The source of funding will change, the amounts will get larger, and the funding and deal mechanisms will become more sophisticated, but the CEO's key role is to convince others to invest in the business—and that means investors must believe in you (Gompers et al., 2021; Bililies, 2023). The “management scorecard” has become increasingly important

as investors seek maximum returns. Investors are betting on the executive team—and will look for signals the team can meet the challenges and opportunities ahead.

In this leadership insights series, we argue that meeting these leadership challenges requires disrupting yourself. The perspectives and behaviors you developed during the growth phase are insufficient for those required at the established phase, and what worked in the established phase will not get you to the transition phase. **In fact, how you lead today may stand in the way of business acceleration and stability.**

Asked which levers are most important for creating value in their portfolio companies, PE executives cite leadership effectiveness more often than anything else.

(Bililies, 2023)

Summary

All businesses go through phases of growth, stabilization and maturity, and transition. Each phase poses unique challenges and opportunities that leaders will face as they strive to remain relevant and deliver on

financial expectations. Executives must continuously adapt and learn to lead differently what got you here will not get you there. (Goldsmith, 2007).

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To learn more about the unique leadership challenges and opportunities for each phase of business, we invite you to explore the insights papers in our series ***"Navigating Leadership Challenges in the Business Lifecycle"***:

- On the cusp of greatness: *Moving past startup*
- Disrupt or be disrupted: *Maturing without stagnating*
- Handing over the reins: *Transitioning the business to new leaders*

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