

Hayek Global College

Author: Elena Skalovskaia

Submitted on 25 March 2021

Essay 2 - Stages of Business Growth

Analyze the stages of growth, and how the company's human resources and departments should differ at a hypothetical company in the industry you are most familiar with. Describe in as much detail as you can from the most incipient stage of existence into the most mature stage.

Bonus: Apply the concepts of Coase's "The Nature of the Firm", and/or Hayek's "The Use of Knowledge in Society" to your story.

In this essay I will analyze the stages of growth of boutique travel company from the UK, specialized in tailor-made holidays, fusing on boutique hotels and selected activities. The main focus was families travelling with kids, so the idea was to provide a good qualitative service, independent of pre-defined packages which were sold by big travel companies.

1. Initiation and Existence: The company was founded in 2003 by one person assisted by another part-time employee, who was also a family member. The company was covering only one destination, namely Morocco. Therefore, at the beginning and in the first decade of its existence the company had more of a one-unit management with no specific organizational parts.

2. Survival: A few years later, on the first stage of growth the company added a few more destinations which were managed by additional employees. With business running smoothly, the company decided to take in new employees, hire a marketing specialist and invest in a few supporting tools to run the operations. So, at this stage, the company continued to be a one-unit management, but with functional parts such as a small separate finance department and a one-unit marketing department. The team, however, was based all around the globe and communicated exceptionally by email and at some point a WhatsApp group was created, however this proved to be inefficient so the email was the main form of communication. The team seemed to auto-manage themselves and share company-wide tasks under the guidance of the founder.

With the growth of the company, more coordination had to be taken by the founder and it proved to be challenging for him. Especially with more newcomers who needed a proper on-boarding and had to have a mentor who would be available at short notice, this quickly went out of hand. The financial operations were run by two employees who were also responsible of several destinations so their workload was always high. The marketing and social media was managed by one employee who was also a destination manager for a separate country.

3. Growth: As the company grew bigger, it proved that more effort was necessary to coordinate and manage the team and either the founder would have needed to hire additional staff to do that or he had to re-think the strategy and delegate in a better manner. Therefore at this stage the company's strategy was to have each destination run by a separate travel specialist who would be employed on a freelance basis and would act as a destination manager. They could also be based anywhere in the world. Thus, independent multiple operating units have been established, and the destination managers acted on their own behalf in the marketplace. This strategy corresponds to Hayek's concept which states that the planning was delegated to each freelancer and the founder was not micromanaging but only giving broad instructions about strategic plans and changes. The collective knowledge was greater, since every freelancer had ideas and tips and this was shared periodically between the whole team. Furthermore, Hayek states that 'economic problem of society is mainly one of rapid adaptation to changes in the particular circumstances of time and place' and that 'we must solve it by some form of decentralization'. The founder of the company was doing so by enforcing the strategy of franchising and giving freedom to its travel specialists, who basically were 'individual decentralized departments'.

So 16 years later, the company grew to cover more than 50 world-wide destinations and is managing a team of 25 travel specialists who work on a freelance basis. Each specialist is running their destination as their own 'mini business' under the umbrella of the mother company. At the current stage the company is still in the growth stage of its development and could grow further as there are more destinations which could be added, but a few more support staff would be needed for marketing purposes and maybe somebody to manage all the freelancers, apart from the founder. For example, the marketing is managed by only one person, and at some stage this person started to work only part-time, which meant that freelancers' queries were not answered in a timely manner, but only on the days she was working. The risk, at this stage of growth, is that because the company has too many destinations, it is hard to keep all the freelancers happy during marketing campaign, since the marketing emails tend to be too long. The company run marketing emails once a month, but since a lot of destinations started to be covered, the email was quite lengthy and it was difficult to define a system how to best promote each destination.

In conclusion, I would say the company is still in the growth phase and could continue to run under the franchise business model, however a few more centralized support staff would need to be added in order to better distribute the workload for the marketing and operations, mainly finances. By running a franchising model the company is making use of knowledge of time and space of the destination consultant who have first-hand experience of their destinations and manage it much better than if the company would have a centralized way of managing all the destinations. At the same time by having a franchise business model, the company is reducing transaction costs, because it would have costs each individual consultant much more to operate on their own and establish their own companies. So by being part of a franchise, the individual consultants were in an advantage.

When it comes to competition, the company was focused on tailor-made holidays which was quite niche and they were not threatened too much here. Their costs were also low, since the main activity was online and due to the franchising model, many costs were cut.

Thinking forward, the company could actually grow much more, but not further than having all the countries covered, and this would mean that their centralized finance and marketing team would have to grow also, in order to support all the individual consultants. The challenge here would be to think of additional ways to market all the destinations in an efficient way, they would have to invest time and effort to think of in a fair visibility for all the destinations and also when they would have unspecific inquiries they would need to find fair strategies of replies to clients, so they could offer the best destinations and in this way no consultant would be left unsatisfied.