

Oracle / Inc. **Study**

**THE TALENT AND
TECH DRIVING
AMERICA'S
FASTEST-GROWING
COMPANIES**

ORACLE[®]

Inc.



INTRODUCTION

Leaders of the Inc. 5000—some of the fastest growing private companies in America—are overwhelmingly optimistic about 2017, and they are investing accordingly.

This was just one of the key findings of the recent Oracle/Inc. study, ***The Talent and Tech Driving America's Fastest-Growing Companies.***

So just how optimistic are they?

Very optimistic. Almost nine out of 10 respondents (89 percent) described themselves as either “extremely” or “very” confident about their prospects for success in 2017. Buoyed by this enthusiasm, the majority are growing virtually all aspects of their businesses.

They are:

- adding employees
- moving into new markets
- offering new products
- expanding globally



Primary Reasons for Success

So what does it take to build a company that enjoys enormous and rapid growth?

Well, when asked to rank the single top reason for the success of their businesses, **gaining, keeping, and growing customer relationships** (sales/service) was the runaway winner. Fifty-three percent of respondents named it as a leading factor in their success. Another key reason? **Hiring and retaining the right talent**, which was cited by 37 percent of SMB business leaders.

- Those who cited customer relationships as the main reason for success pointed specifically to customer service (**responding quickly and smartly to customer inquiries**) as the most important factor in gaining, keeping, and growing customer relationships.
- Those who named talent as the most important contributor to their success overwhelmingly singled out **creating a company culture that attracted the best candidates** as the key to hiring and retaining the right talent.

But success cannot be attributed to one single thing.

It takes a focused, concerted effort, across a multitude of disciplines, to become a fast-growing company. Therefore, when asked for the top three reasons for making the Inc. 5000 list, **great sales and marketing** was a top answer (41 percent). In second place was the

ability to scale (37 percent), suggesting that many of these CEOs had already put into place the processes and infrastructure needed to grow a company quickly and cost-effectively.

Coming in third (and close on the heels of the ability to scale), with just under 37 percent, was having **the right management team in place**. One respondent noted that their growth arose from “the ability to align great people with great processes to meet the needs of the market.”

For the Inc. 5000, it is a successful combination of these three factors—sales and customer satisfaction, talent, and the ability to scale—that creates fast growth rather than any one of them in isolation. “Nailing these—getting it right and orchestrating them together—were key in all three of my startups’ successes,” says Reggie Bradford, senior vice president for Oracle’s Startup Ecosystem and Accelerator.

Other leading responses fell easily into these three groupings. This included **ability to read the market** and **responding nimbly** (sales and customer satisfaction), **building a larger and more qualified workforce** (talent), and **improved operations** (ability to scale).

At the bottom of the list were factors including getting financing to expand, improving logistics, and cutting waste.

So what does it take to land on the Inc. 5000?

#1 Great Sales and Marketing

#2 Ability to Scale

#3 Having the Right Management Team in Place

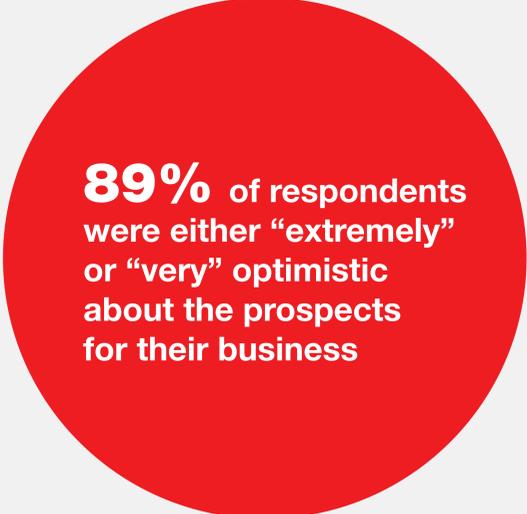


Personal Qualities that Contributed to Success and High Levels of Optimism

When asked about the top three personal qualities these SMB leaders felt allowed them to achieve a high level of success, the answers were very clear. **Hard work** was by far the top choice. Forty-eight percent included hard work in their top three, with 41 percent citing **vision**, 34 percent citing **industry knowledge**, and another 34 percent pointing to **passion** as a top-three answer.

These factors edged out willingness to take risks and leadership skills, each cited by about 30 percent.

However, SMB leaders did not put as much value in having a great sponsor/mentor (six percent), being tech savvy (eight percent), or having a competitive nature (10 percent) as key reasons for their success.



89% of respondents were either “extremely” or “very” optimistic about the prospects for their business

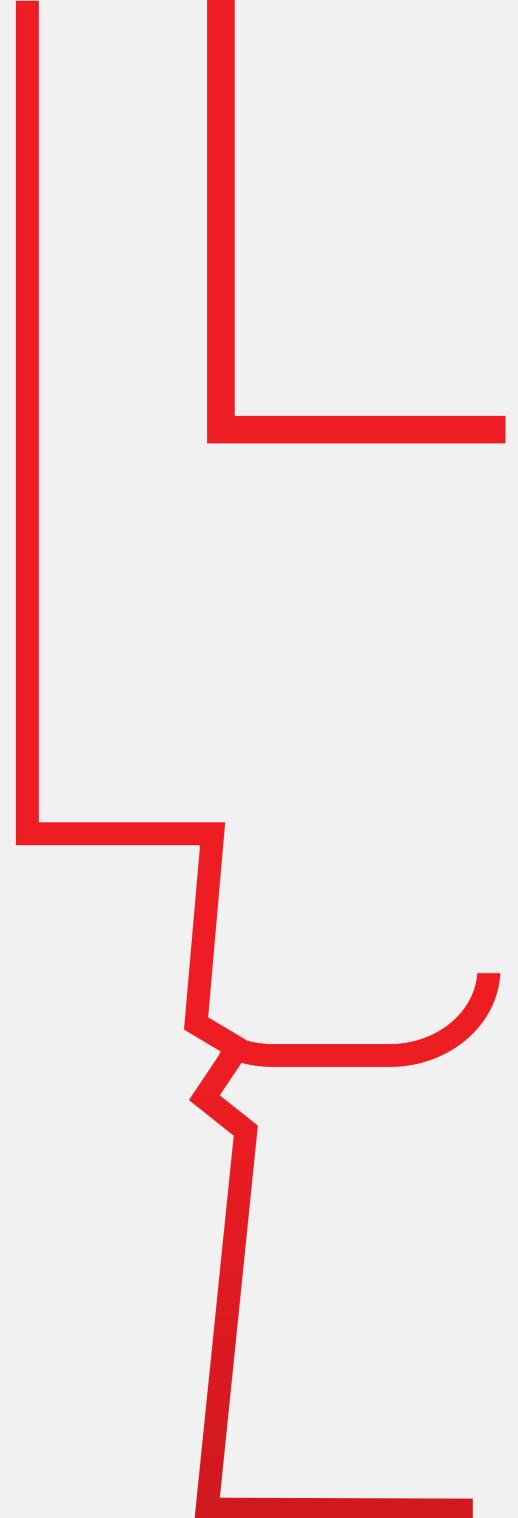
It's All About an Optimistic Attitude

The one quality virtually all Inc. 5000 respondents shared was an off-the-charts level of optimism.

While entrepreneurs tend to be more optimistic than their non-entrepreneur counterparts, the CEOs who lead Inc. 5000 companies were almost universally optimistic about the prospects for their businesses in 2017. As mentioned earlier, a total of 89 percent identified themselves as either “extremely” or “very” optimistic about their companies’ futures.

Research suggests entrepreneurial optimism is more than pie in the sky. It provides the motivation, fortitude, and resilience needed to achieve success.

Some studies suggest that such optimism, or the tendency to filter out negative possibilities, is essential to persisting in new and uncertain ventures. In fact it can be contagious. “Optimists are more likely to be successful, because they inspire optimism in others,” noted Nobel Prize-winning psychologist Daniel Kahneman in a recent interview. As long as the optimism is not forced, other people will work harder for them and be more likely to finance them, he added.¹



Realizing the Potential of the Cloud to Propel Growth

In order to support expansion, almost all of these fast growing companies have one or more cloud technology solutions. In fact, more than 83 percent of respondents have at least two functions in the cloud.

Their reasons for adopting cloud technologies were driven by **scalability and flexibility for growth** (60 percent), which, as mentioned earlier, was listed as a key to their success. This was followed by the 22 percent who pointed to the cloud's **potential for increased internal communication and collaboration**.

As one respondent aptly noted, “We need to invest in our IT infrastructure so our business processes can be streamlined and [our] workflows will be smooth.”

But are They Fully Optimizing the Cloud?

The study also discovered a key opportunity. Many of these fast-growing businesses are not fully optimizing the potential of the cloud to aid in their expansion and avoid growth plateaus.

- Just over a third have their **finances** in the cloud.
- Only 29 percent have put their **e-commerce** functions into cloud solutions, compared to more than half who've migrated sales and human resources to the cloud (51 and 62 percent, respectively).
- Forty-four percent struggle to achieve **integration** across cloud products.

“Small, rapidly growing businesses that scramble to implement technology tools often wind up piecing together products that may fix one single problem, but in the long run, will not work well together,” says Bradford. In fact, so-called “shadow IT” departments that pre-empt slow-moving (or overwhelmed) IT departments gained steam when the cloud began offering powerful, easy-to-use solutions in exchange for a corporate credit card number. Instead of buying one-off solutions, however, Bradford encourages SMBs to work closely with a cloud vendor to create “a strategic plan to roll out, integrate, and scale solutions that meet both their business and budget needs.”

The Cloud and the Competition

Despite their optimism and investments, only 23 percent cite the cloud as a top driver in **maintaining a competitive edge**, pointing to the fact that they lack a strategy to use their cloud footprint as a strategic differentiator.

Instead, they are viewing the cloud almost as a commodity, not as the growth enabler it can be—with the right partner.

“Rapidly growing SMBs have had the advantage of building on the cloud from day one,” Bradford said. “But their fast growth, paired with the array of cloud solutions from different vendors, presents some challenges. To avoid stagnation, SMBs need a partner to guide them in integrating their various point solutions, selecting the best fit—for budget and business purpose—and truly understanding future cloud opportunities.”

Cloud adoption can be taken in small steps. It is possible to dip your toes in the water before diving in.

“One of the benefits of the cloud is that companies can choose to build their portfolios over time,” says Bradford. Accordingly, “the [cloud] technologies most popular now among growth companies mirror their current growth priorities: sales, marketing, and talent.”

Cloud Concerns

While the respondents were actively adopting cloud solutions —as evidenced by 83 percent employing multiple cloud solutions—getting the various solutions to work together was problematic for the respondents. **Integration across products** was cited by 44 percent as the single biggest “objection or obstacle” in using cloud technologies.

This concern commonly arises when businesses try to integrate cloud solutions of varying complexity and quality from multiple vendors.

The second most common concern about adopting the cloud dealt with **data security**. But to be fair, this was noted by only a quarter (26 percent) of respondents.

SMB leaders shouldn't allow data security fears to prevent them from investing in technology that will help their businesses. However, they are right to make choosing a cloud provider a key concern. Ironically, the process of researching cloud solutions may help SMB leaders realize just how important data security is for their businesses.

Once the importance of data security is fully recognized, the natural next step is to leverage the expertise of a leading vendor of top-tier cloud-based technology, whose sole focus is security and is constantly updating and enhancing their software and platforms with the latest security protocols.

They Embrace the Cloud:

83% had at least two functions in the cloud already

Perceived Obstacles to Continued Growth

Ironically, the kind of hockey-stick growth these Inc. 5000 companies have achieved also leads to their CEOs' most persistent worries. The ability to successfully **manage fast growth** was cited as the single biggest obstacle to further growth, with 49 percent choosing it as a top-three issue.

As customer demand explodes, so do new internal demands, including supply chain, logistics, and customer service, as well as talent acquisition and retention. That means that successful SMB leaders have to learn to grow in a cost-effective manner. In other words, they have to figure out how to achieve scalable growth. This is the only way to meet the demand they've stoked without imploding. Small wonder, then, that leaders of high-growth companies commonly use the analogy "drinking water out of a fire hose" to describe the experience of triple-digit growth.

Ironically, while **building a great team** and **having the right management team in place** were credited for achieving fast growth to date, **attracting** and **retaining skilled employees** was also chosen as a major obstacle for growth (by 38 percent of the respondents).

This concern underscores how important it is for SMB leaders to have good people to support their business—even in its very early stages. "It's imperative to have a rock star sales team in order to grow business," noted one study respondent. Another noted the connection between employee relationships and customer relationships: "As a service business, our employees are the company's face to our customers, and [they] are responsible for providing an excellent customer experience. The happier our employees are, the happier our customers are."

Biggest Obstacle to Further Growth?
Managing Fast Growth

Turning Optimism into Action and Action into Growth

Study respondents plan to act on their optimism; they have no plans to slow down this year. Almost all (91 percent) expect to hire new employees in 2017, and 42 percent are planning to **grow their workforce significantly**. Less than three percent of the respondents were considering any kind of staff reduction.

A focus on hiring is needed, for close to two-thirds of respondents (65 percent) **plan to enter new markets** in 2017. A large number (61 percent) will **offer new products**, and 38 percent will **open new offices**. Fewer than eight percent said they had no plans for expansion in 2017.

These fast-growing companies are also expanding their geographical footprint. While less than six percent cited **international expansion** as a key factor in landing on the Inc. 5000, 45 percent are currently doing business internationally, and the majority of those companies expect to increase that activity in 2017. Another 10 percent plan to initiate business overseas, while just 35 percent will continue to operate only in the U.S.

"Companies ranging from startups to large enterprises are expanding and connecting globally to greater extents," says Oracle's Bradford. He sees cloud technology as the driving force behind this trend, which has made it easier for entrepreneurs to cross borders without leaving their desks. "The cloud has opened up new opportunities to bring together diverse ideas, innovative thinking, and new business partnerships around the world."

A recent academic paper published in the journal **Group & Organization Management** found that startups may even have an advantage over established players when it comes to breaking into global markets, since younger firms tend to be more adaptable to change and committed to learning about new markets without preconceived notions. And thanks to technology, "convincing international customers to buy may not be that much more challenging than winning domestic customers," the study's authors wrote.²

Top 3 Spending Priorities for 2017

1. Maximizing Customer Relationships

In terms of budgeting for 2017, **maximizing customer relationships** tops the list of investment priorities, with 88 percent choosing it among their top three targets for spending. When asked for more specifics, 36 percent of the respondents said they're proactively investing in their customer relationship strategy because they feel that there are **markets they're not addressing aggressively enough**. A slightly smaller number (31 percent) feel they need to **respond smarter and quicker to customer inquiries**.

"A central part of growing a business (of any size) is relationship building—and today, relationships mean so much more than face time and phone calls," says Bradford. "Cloud technologies can help growing companies track customer interactions and sales leads and pull insights from troves of data to better personalize the customer experience."

In particular, for the 36 percent of businesses concerned that they are missing market opportunities, Bradford notes, data analytics and machine learning technologies can help fill in the gaps. Not only can they identify new opportunities, "they can prompt sales people to pursue particular leads."

Fast-growing companies might also consider ways to build customer relationships that go beyond the basics, such as co-development processes that allow customers input into internal product development while giving SMBs the inside scoop on their customers' pain points. The fact that "[my company] Vitruve was able to co-innovate and co-develop alongside brands like Apple, McDonald's, and P&G was crucial to our success," says Bradford.

2. Finding, Hiring, and Retaining the Right People

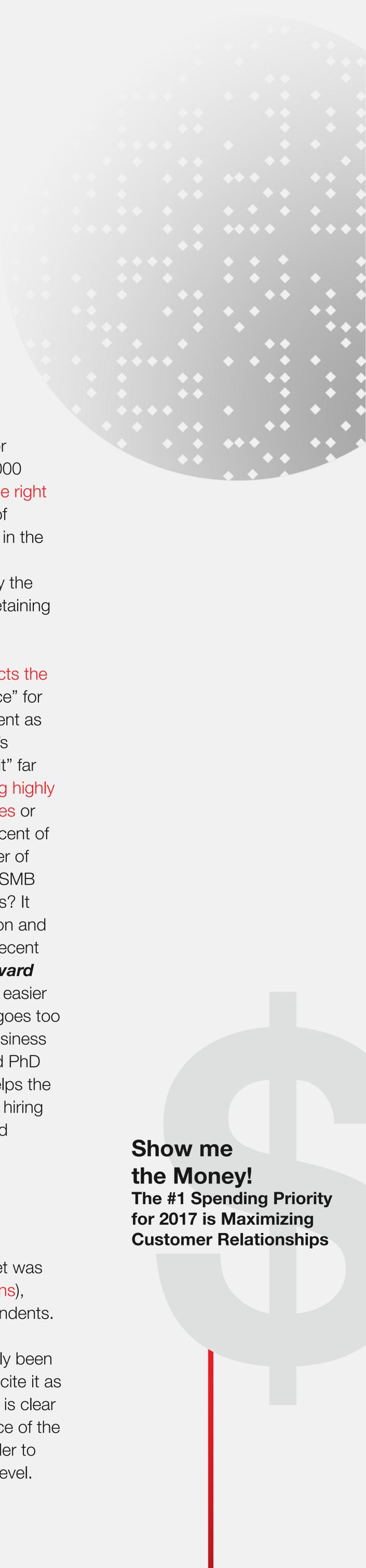
The second-most common area for investment this year among Inc. 5000 leaders was **finding and keeping the right people**. More than three-quarters of respondents (77 percent) ranked it in the top three. How are they doing it? Company culture. It is far and away the most important tool in hiring and retaining quality employees.

In fact, **creating a culture that attracts the best candidates** is the "secret sauce" for 81 percent of those who chose talent as the most crucial factor to their firm's success. The ephemeral cultural "fit" far outweighs the importance of **having highly competitive compensation packages** or **the prospect of equity**; only six percent of respondents combined chose either of those two latter options. How can SMB executives build successful cultures? It starts with clearly articulated mission and vision statements, according to a recent article, "Startups that Last," in **Harvard Business Review**. "That makes it easier to recognize cultural drift before it goes too far," wrote the authors, Harvard Business School professor Ranjay Gulati and PhD student Alicia DeSantola. "It also helps the organization keep its value alive by hiring for cultural fit and rewarding desired behaviors through recognition and compensation."³

3. Technology

Another top-three investment target was **technology** (including **cloud solutions**), chosen by 41 percent of the respondents.

While technology has not historically been a focus area for these CEOs—few cite it as a force behind their fast growth—it is clear that they understand the importance of the right technology investments in order to move their companies to the next level.



**Show me
the Money!**
The #1 Spending Priority
for 2017 is Maximizing
Customer Relationships

CONCLUSION

Building a company that can maintain triple- and quadruple-digit growth for years at a time is both an art and a science. On the individual level, it takes leadership with vision and passion and the willingness to roll up their sleeves. It also means using that passion and vision to inspire your team and your customers.

As the study clearly demonstrated, the single most important personal quality these hyper-successful CEOs share is their almost unbridled optimism. Their focus and ability to brush aside setbacks are the key to their success—in both past and present.

On the business level, the study revealed that these hyper-successful business leaders focus most on taking care of the core elements: sales, ability to scale, and talent.

As their businesses grow (and grow rapidly), the Inc. 5000 respondents are clearly turning to technology to help them take care of all aspects of their businesses. Specifically, they are turning to cloud solutions that can provide the data and insights to help them effectively manage their businesses.

Ultimately, this study tells us that success in 2017 requires a marriage of old-school virtues of hard work and passion combined with the new-school technologies that turn such passion into the fastest growing private companies in America.



“Rapidly growing SMBs have the advantage of building on the cloud from day one. SMBs need a partner to guide them in integrating their various point solutions, selecting the best fit and truly understanding future cloud opportunities.”

– Reggie Bradford,
SVP Oracle’s Startup Ecosystem and Accelerator



About the Study

The Talent and Tech Driving America's Fastest-Growing Companies study was designed to better understand what is top-of-mind for the business executives that have enjoyed enormous year-over-year growth over three consecutive years.

The study delved into what personal attributes they felt led to their success, the business functions these leaders had previously focused on (the most), and the investments they plan on making in their businesses going forward. Since technology is such a key element of business planning today, the study specifically asked about investment plans around technology. It also focused on the attitudes and behaviors relating to the adoption of cloud solutions.

Commissioned by Oracle and fielded by Inc. Media, the study gathered feedback from current or recent Inc. 5000 company leaders. The Inc. 5000 list ranks companies by three-year sales growth, among other factors. The average growth rate of the Inc. 5000 was 128 percent over three years, with average annual sales of \$40 million. The 2016 Inc. 5000 companies created 640,127 new jobs during the previous three years.

www.oracle.com/smb

1 D. Kahneman, "Nobel Winner: Key Trait of Entrepreneurs Is 'Delusional Optimism,'" Inc.com.

2 Renko, Maija, Sumit K. Kundu, Rodney Shrader, Alan L. Carsrud, and Annaleena Parhankangas, "Liabilities, Advantages and Buffers of Newness: How New Age Makes Internationalization Possible," *Group & Organization Management* 2016, Vol. 41(6) 786-822

3 R. Gulati and A. DeSantola, "Start-Ups That Last," *Harvard Business Review*, March 2016, pp. 54-61.

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