STAGES IN THE ENTREPRENEURSHIP PROCESS: A CASE STUDY FROM THE MEDICAL INDUSTRY

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CASE DESCRIPTION

Founded in 2001, Sims Management, Inc. provides polysomnograms and numerous sleep study services to its patients, as well as develops treatments for a variety of sleep disorders, including sleep apnea, narcolepsy, and R.E.M. sleep behavior disorder. This case chronicles the decisions of Dr. Samuel Sims, the founder of Sims Management Inc., during the reorientation of his original focus of conducting sleep examinations and studies in large-scale, stand-alone sleep centers, to conducting similar services within already established hospital center locations. Sims Management has now grown to operating in 30 regional healthcare facilities in the United States through Dr. Sims’ efforts to overcome many strategic challenges faced by new venture leaders. The company’s growth strategies have been very unique through the past two decades of slow and steady industry growth, and still continue to evolve. Moreover, numerous challenges still remain to be addressed by Dr. Sims as he leads Sims Management through its elongated growth stage of development.

Keywords: Strategic entrepreneurship, Strategic options, Entrepreneurship process, New venture growth

INTRODUCTION

This case describes the challenges of founding and operating a venture in the sleep disorders segment of the medical industry. Dr. Samuel Sims, owner of Sims Management, Inc. is described as having had to take many courses of direction to grow his business venture to its current size and structure. The case outlines and details his decision to start a private practice in the sleep industry, first focused on providing patients with services in a stand-alone facility outside the city of Houston, Texas, in The United States of America. The case then chronicles the many arduous decisions that Dr. Sims had to make to navigate his sleep-related venture on a slow path of growth. In addition, some information regarding some of the current challenges Dr. Sims faces are noted.

Motivation for Change

After graduating from the Baylor University College of Medicine, neurophysiologist Dr. Samuel Sims had an optimistic view of his future working in the field of neurophysiology. Medical school had afforded Dr. Sims the opportunity to form new ideas and test numerous assertions about neurophysiology while working with leading neurophysiologists and medical practitioner mentors in this field of medicine. After completing medical school, Dr. Sims worked in a hospital as a neurophysiologist in Houston, Texas, a large metropolitan city in the southern-most region of the United States, where he was able to utilize the knowledge he attained in
medical school and further advance his expertise in the area of neurophysiology. After a few years working in this hospital setting, Dr. Sims realized his feelings towards his clinical work in hospital settings contrasted with the positive feelings he had just a few years prior. Dr. Sims wanted to practice the neurophysiology area of medicine with much more autonomy, and lead teams of professionals in this area of medical practice, rather than only contributing as a medical staff employee. The desire ultimately led him to leave his medical staff position at the hospital where he was employed, in pursuit of a more satisfying work environment, one that he controlled and could more readily experience the positive effects of his knowledge, skills, and abilities. Dr. Sims started a new practice – a new business venture, with the mission to provide specialized and personalized services to patients who suffer from sleep disorders stemming from neurophysiological issues, going beyond the work he was doing in the large hospital settings where he had previously worked.

**Discovering a Market**

With numerous years of experience in the sleep-related area of medical care, Dr. Samuel Sims wanted his business venture to provide services to his patients similar to the way they were administered in the hospital settings he had worked, but in a more personal manner. Dr. Sims had to determine the types of testing his business would perform that went above and beyond those he had administered in the hospitals he had worked. After leaving his clinical position, Dr. Sims started his private practice and began servicing patients referred by regional hospitals in the Houston, Texas, metropolitan area in the southern-most region of The United States. The supplemental service work Dr. Sims’ new practice was most often referred to perform by hospital-based physicians consisted usually of administering electroencephalograms (EEGs) tests that monitor the electrical activity of patients’ brains. Working with many different hospitals in the region and performing services like EEGs and other central nervous system tests uniquely positioned Dr. Sims where he could gain experience in his field through his own private practice, and also very serendipitously determine health care service opportunities rooted in the lack of neurophysiological and sleep-related services of the region’s largest hospital systems.

One potential opportunity in particular greatly excited Dr. Sims. He surmised that of among the many regional medical centers that had referred patients for his practice’s supplemental services, none of them had the capacity to administer long-term and comprehensive sleep disorder tests to individual patients. Further research conducted by Dr. Sims led him to also conclude that in this particular region of the country, only two freestanding sleep disorder and diagnostic centers were in operation, and those were not in proximity to most of the region’s hospital systems.

Sleep study centers were being operated in other parts of the country, but in locations inconvenient for patients in the southernmost area of The United States where Dr. Sims was growing his private practice. Along with the difficulty related to distance, the centers in other areas of the country were often at full-capacity levels for many weeks and months in the future. As part of his research, Dr. Sims considered these conditions carefully while evaluating the opportunity for growing his practice that he felt he had detected.

Dr. Sims had two other distinct reasons for viewing the opportunity to scale his practice into a much larger company that would be known as the regional leader in diagnosing, studying, and treating individuals with severe sleep disorders. The first was his recognition, and the recognition of many health care professionals in fields similar to neurophysiology, of the importance of sleep as critical component to the over-all physiological health of every human
being. Advances in sleep disorder care and therapy had just started to become prominent at the time Dr. Sims finished up his formal education and medical training. Physicians world-wide were realizing the importance of sleep disorder care and therapy to drastically improve the quality of life of many human beings. Around the time of Dr. Sims graduating medical school, the sleep industry was gaining recognition as its own area of medical study by the entire medical community, not just physicians in the neurophysiological area of medicine. Dr. Sims was acutely aware of this phenomenon and used this evidence to support the notion that his expertise in the field of neurophysiology would allow him and his employees to best serve individuals with chronic sleeping disorders in their region of the country.

The second reason Dr. Sims rationalized growing his private practice into a large-scale company in the healthcare industry was based on his awareness of the population growth trends in the area of the country in which he intended to operate. The 1990s era was a time of significant population growth for Houston, Texas, and the city’s surrounding areas. Dr. Sim’s understanding of the population growth rate, as well as its importance to the entire healthcare industry, gave him more confidence in his assertion that demand for sleep testing and sleep disorder care in this region of the country would significantly increase over the course of the next few decades. Dr. Sims felt that if he could properly differentiate his large-scale company by having a focus on comprehensive sleep center services tied to neurophysiology information, testing, practices, and treatments, his health care company would become a leading healthcare provider in this area of medicine within the Houston area and beyond. With this goal in mind, Dr. Sims began the task of creating a large-scale sleep-related business with a mission of providing comprehensive sleep study services across the region, and a focus on individual neurophysiological characteristics of patients with sleep disorders.

Obtaining Resources

Though some business startups can have low upfront costs, this is not the case for comprehensive medical care businesses like the one Dr. Sims was about to found. The facilities and the medical equipment to open up just a single stand-alone location figured to be several hundred thousand U.S. Dollars. Dr. Sims’ private practice unfortunately did not afford him the means to solely fund even one of the many physical medical facility locations planned to be constructed. Outside funding was deemed to be necessary to soon start constructing large-scale sleep disorder centers.

In the beginning of his search for funding, Dr. Sims pitched his new venture opportunity to investors outside of his social circle. He felt that if he could pitch his new venture to potential financiers who would value his medical credentials as well as his entrepreneurial vision for the company, he would be able to locate a large pool of funds and avoid the potentially awkward task of asking friends and family for help.

Dr. Sims was unable to convince financiers from outside his social network to buy into his vision and new endeavor. He could not definitively identify the cause of this as lack of support, feeling it may have been a combination of factors, such as lack of trust associated with his pro-forma projections and maybe lack of knowledge among potential financiers regarding this rather new area of medicine. After many failed attempts to excite potential financiers to partner with him, all the while rejecting offers he felt were unfair and unreasonable, Dr. Sims changed his approach and began making appeals to family members, friends, and physicians he knew well.

Now somewhat relegated to bootstrapping instead of seeking outside funding in exchange for equity, Dr. Sims was able to garner support from individuals he knew and loved. After
obtaining a substantial loan from a few friends and family members, and contributing a significant portion of his own personal financial assets towards the new venture, Dr. Sims was able to augment those funds with a loan granted by a large commercial banking company. Soon after, Dr. Sims began his venture, establishing Advanced Sleep Diagnostics, Inc. (ASD), a company that would later become Sims Management, Inc.

Managing Costs

Various costs not initially considered significant by Dr. Sims upon founding ASD soon surfaced. One of the most significant was the cost associated with specialized training, as many of ASD’s newly hired employees were not familiar with all the medical equipment and procedures that ASD utilized. Dr. Sims soon realized that very few individuals in the region of the country where ASD operated were formally trained while working through their health care educational programs to conduct the tests ASD was administering. A very comprehensive and expensive training program had to be developed for these new employees. This also meant that most newly-hired employees were not able to fully contribute to the company’s operations, as training proved to be slow at ASD.

ASD relied on insurance company payments to cover most patients’ invoiced costs. Dr. Sims soon realized that as ASD began operations and started billing various insurance companies on behalf of ASD’s patients, lack of promptness on the part of most insurance companies was going to be problematic. This accounts receivable lag due to outstanding insurance company payments led to very significant cash flow problems for ASD. Worst of all, Dr. Sims soon realized that he may have over-estimated the demand for a network of large-scale sleep disorder centers in the southern-most area of The United States. While the sleep industry, including products and services, was getting larger in many developing countries in the early 2000’s, Dr. Sims feared ASD did not, and in the near future would not, be able to care for enough clients to cover the operational costs that were increasing year by year. While they were managing to stay afloat, the urgency of the situation pushed Dr. Sims to recognize that he needed a new direction for his company. For that change of direction, he looked to his previous experience in the medical field, his work in neurophysiology.

A New Direction

It was apparent from recent financial statements that a change in the direction the company was taking was necessary soon after the opening of ASD’s first large-scale, stand-alone sleep center facility. After careful research, Dr. Sims decided that diversification into other tangential sleep services or diversification by way of manufacturing or branding products were not viable options for his fledgling start-up. Instead, he chose to stick with his strengths and reenter the wider field of neurophysiology. He had extensive experience in the field and was comfortable with it, but he also made his choice because it would allow him to expand ASD’s services in a way that he could take advantage of the sunk cost, time, and effort associated with the training of his employees. Dr. Sims circled back his efforts and began his endeavor to set up operations in the setting he once sought to leave, regionally established hospitals and large-sized clinics in the southern-most area of the country.

Hospital administrators and holding groups in the area were very particular about the businesses they were looking for to fill their available office and clinical spaces. First and foremost, they were looking for established organizations and clinical practices with histories
that clearly portrayed that they could provide quality service. A secondary requirement they considered included the perceived longevity and stability of the organization in determining whether or not to allow a specialized medical care company like ASD to lease out areas in their facilities. In addition, they expected physicians and staff members to be experienced and demonstrate exceptional backgrounds.

Dr. Sims realized hospitals needed the various types of neurophysiological testing services, like EEGs and polysomnograms, he wished to provide. Dr. Sims also wanted to carry out brain activity monitoring for patients during critical operations, a very valuable service to hospitals. After numerous pitches and appeals, a hospital in the Houston, metropolitan area agreed to let Dr. Sims open up his first neurophysiological care and treatment center in an existing hospital location, under the new name for his business, Sims Management, Inc.

Dr. Sims had successfully planned for and executed the diversification of his company. One segment of Sims Management would continue to provide sleep studies to patients in its stand-alone location minutes from the Houston, metropolitan area. The other segment of the company would provide neurological testing and other services utilizing small-scale medical office locations leased within regional hospitals.

The decision to diversify his venture proved to be the optimal direction for the company to take. Having entered the first hospital and having proven the efficacy and reliability of his services, Dr. Sims was also able to expand Sims Management to provide sleep testing for this hospital as well as numerous others. This augmentation of Dr. Sims’ first adopted business model proved to increase the number of patients his company treated, as more and more hospitals showed interest in the neuropsychological services the small satellite offices of Sims Management offered.

**Reorganizing the Business**

As the company grew, Dr. Sims had to consider the structure of the business, and the employees that formed its foundation. Dr. Sims’ analyses and what-if scenario creations led him to consider a new type of structure, where Sims Management would lessen its reliance on full-time employees in the smaller satellite locations sprouting up. Eventually, Dr. Sims reconfigured the company’s structure and based the new company form on two types of employees: one type were full-time professionals, and the other worked within Sims Management facilities on a more temporary contract basis. This structure made it easier when managing the personnel needs among multiple facilities, as health care professionals with specialized skills and training could be placed where needed and utilized in a much more efficient manner. This was also the preferred employment agreement among many medical service professionals in this area of medicine, as making themselves available to be staffed in multiple facilities (i.e., sometimes changing hospital locations three or four times per workday) could provide a larger income for them than signing on as full-time medical staff.

With the structure change concerning his medical staff, Dr. Sims soon saw that he was better utilizing employees’ time at work, and was realizing decreases in payroll at Sims Management. The better use of employees’ time and effort also meant that Dr. Sims could finally start to redirect his efforts at work from caring for and tending to patients nearly full-time, to being freed up to focus on the managerial aspects of his business.
Enduring Issues

Sims Management employs only 22 permanent workers. Being a smaller healthcare company means losing a permanent worker or two could be very detrimental to the company’s operations. Despite its diversification, a shortage of qualified employees to staff the smaller in-hospital clinical offices endures. Correlating with the shortage of trained and able employees is the existence of only one medical training college within its region of providing the sleep and neurophysiology curriculum needed to add to the list of viable job applicants for Dr. Sims to consider. Additionally, factoring into the employee scarcity situation is Dr. Sims’ very strict requirements for employee educational and practical achievements. He insists that the growth of the company will not come at the expense of outstanding world-class patient management, care, and treatment for all Sims Management’s patients.

Though his role in the company is now more managerial in nature, Dr. Sims still seeks new ways to differentiate and expand Sims Management, Inc., and further expand his expertise in the field of neurophysiology. The future growth pattern of the company continues on a very slow upward trajectory, much as it has since the turn of the millennium. Dr. Sims does often wonder if he can enact a strategy that could potentially spark more growth within the next ten to twenty years for his still steadily growing entrepreneurial endeavor.

Questions for thought and discussion:

1. What were the situational factors that aligned to create Sims Management, Inc.? What were the environmental factors that aligned to facilitate the founding of Sims Management, Inc.?
2. Describe the challenging business conditions that faced Dr. Samuel Sims along his way to founding Advanced Sleep Diagnostics (Sims Management, Inc.), and still endure, hampering the prospect for heightened revenue increases for the company in the future.
3. What expectations does Dr. Sims have of the persons he employs as healthcare professionals? Do you agree or disagree with his decision to change the employment structure of the company? Why? Does the new structure have foreseeable limitations?
4. What do you think are the most significant challenges facing Sims Management as continues its slow but steady growth stage of development? Why? What suggestions would you make to overcome any challenges noted?
5. Is the specialized nature of the sleep and neurophysiological services offered by Sims Management a benefit to the future of the company, or a hinderance to growth of the company?
6. Do you consider the entrepreneurial challenges and achievements chronicled in this case as typical among most entrepreneurs? What are the bases for your determination?

INSTRUCTOR NOTES

Synopsis

This case describes the story of Sim Management, Inc., specifically the impetus for its founding, and the company’s story of slow and managed evolution and growth. This case chronicles the decisions of Dr. Samuel Sims, the founder of Sims Management Inc., during the reorientation of his original focus of conducting sleep examinations and studies in large-scale, stand-alone sleep centers, to conducting similar services within already established hospital center locations. In retrospect, this decision may have been the sole decision that kept Sims Management Inc., financially viable and operating. Sims Management has now grown to operating in 30 regional healthcare facilities in The United States through Dr. Sims’ efforts to
overcome many strategic challenges faced by new venture leaders. The company’s growth strategies have been very unique through the past two decades of slow and steady industry growth, and still continue to evolve.

Purpose

This case is intended for upper-division undergraduate students taking courses in entrepreneurship, small business management, strategic management and principles of management. The primary focus of this case is on the strategic options and opportunities (Hitt, Ireland & Sirmon 2003) that were available to Dr. Sims, the sole proprietor of Sims Management, Inc., and how he used his strategic decisions to manage the venture. The case should be introduced once students have read material regarding the entrepreneurship process (Olson, 1985), strategic management (Chandler, 1962), and general management principles. The case summaries Dr. Sims’ ability to recognize and evaluate a business opportunity related to a specialized field within the medical industry, analyze the risks and threats associated within the starting the business, align valuable resources, and implement strategies to manage the venture through its growth. The decision and actions of Dr. Sims are thought to reflect those of many other entrepreneurs and leaders of new ventures seeking to start and manage new ventures (Kuratko et al., 2020). In general, most other entrepreneurs may also encounter the same types of decisions during their own efforts to build reputable and profitable ventures while working to manage the relationships they begin and foster with many key stakeholders.

MATERIALS AND METHODS

The authors in this case interviewed the owner of the business, as well as several employees at various organizational levels, in order to achieve an understanding of the business from different viewpoints. The authors also spent several hours in several of the off-site sleep center facilities making observations of the environments and employee interactions with each other and patients. Employing an inductive approach, the themes of the case were realized and agreed upon after approximately thirty hours of observation, transcription, discussion, and reflection. The qualitative data were collected using care not to cause any stress to any of the persons interviewed. Standard and widely-accepted Internal Review Board processes were followed for this ‘exempt’ status project.

Learning Objectives

The purpose of this case is to introduce students to some decisions individuals who choose to start new ventures are faced with during the nascent, infancy, and growth stages of firm development. In addition, the case facilitates discussions on some of the challenges or opportunities that these decisions might lead to once choices related to them are made. Specific learning objectives include:

1. Students will gain an improved understanding of the entrepreneurship process, and will be able to apply their knowledge of the process while considering the challenges of the entrepreneur highlighted in the case.
2. Students will more fully understand that operating a business requires careful weighting of multiple options in order to make sound business decisions; and that each decision made will usually have both benefits and consequences, in turn, leading to even more decisions needing to be made in the future.
3. Students will be able to envision themselves in the roles of nascent entrepreneur, principle owner, and new venture leader. Throughout the course of the case, information concerning Dr. Sims’ changing roles and evolving corporate- and business-level challenges is presented.

4. Students will gain an improved understanding of organizational development stages. In this particular case, the elongated and slow rate of growth is highlighted.

Teaching Strategies

For a course in entrepreneurship, discussion of this case could occur in two parts. First, students could be asked to think about the many decisions that Dr. Sims made throughout the development of Sims Management, Inc., and then subsequently discuss them. An extremely important inclusion to this request could be that students identify both decisions that were explicitly mentioned in the case write-up as well as those implied. Requesting participants to think of and then discuss as many decisions as possible will help them understand that many rounds or episodes of decision-making occur from the time of founding to throughout the development of a new venture. Each decision could then be organized in a chronological order to facilitate a later discussion of which decisions directly affected others, in a hierarchical fashion.

Once the list is made, the second part of the discussion may focus on the individual choices made by the entrepreneur. Individual decisions can be grouped into broader topics of discussion in order to avoid getting the discussion off-track. Students should be asked about the positive and negative consequences of each decision that has been made by the entrepreneur, as well as possible alternatives and the impact these alternative decisions may have made. As the discussion progresses and more alternatives are presented, students should be encouraged to make judgments about choices they feel should have been made and to explain why.

Similarly, a discussion of the motivational topics within the case may help students further actualize their own potential future entrepreneurial endeavors and the choices that will need to be made to keep them viable. Highlighting the sometimes-tumultuous path that Dr. Sims took and forged through in an effort to grow his business is important. Dividing the class into small groups for discussion may be helpful at this point to allow for increased participation and engagement.

Answer Rubric

1) What were the situational factors that aligned to create Sims Management, Inc.? What were the environmental factors that aligned to facilitate the founding of Sims Management, Inc.?

Answer: A below average student would mention only one or two factors, with little or no individual insight. For example, a possible answer would mention that Dr. Sims really wanted to have a more autonomous work experience, on a daily basis.

An average student would go into more detail and list more factors (e.g., the availability of a resources from friends and family, the bank loan, population growth expectancy in the region), but the answer would be in the form of a simple list.

An above average student would discuss all existing factors as well as the interaction of these factors. An explanation of why each factor was significant in forming the decision to start a medical-based business similar to Sims Management Inc. would also be expressed. The student would also describe some reasons why the business may not have been formed as expected and explain how these reasons were overcome by Dr. Sims’ awareness of the environmental factors at the time of founding and beyond.
2) Describe the challenging business conditions that faced Dr. Samuel Sims along his way to founding Advanced Sleep Diagnostics (Sims Management, Inc.), and still endure, hampering the prospect for heightened revenue increases for the company in the future.

**Answer:** A below average student would only mention the reasons mentioned in the case, and little discussion of why the student agreed or disagreed with these requirements would be added.

An average student would give more detail about the business conditions. This would include the discussion of how prevailing economic conditions in the time of founding may have affected the likelihood of obtaining venture capital funding. In addition, a discussion of the regional hospital situation that was mentioned to be quite sprawled in the region having an adverse effect on patient referrals may be discussed.

An above average student would describe the prevailing economic conditions more specifically. In addition, the above average student would discuss the process of obtaining venture capital, highlight the pitching process, and the extreme difficulty for nascent entrepreneurs to obtain funding through these financiers. The above average student would also offer specific ideas about other forms of funding for entrepreneurs (e.g., crowdfunding, partnerships) and discuss the processes for obtaining funding through those means.

3) What expectations does Dr. Sims have of the persons he employs as healthcare professionals? Do you agree or disagree with his decision to change the employment structure of the company? Why? Does the new structure have foreseeable limitations?

**Answer:** A below average student would state the expectations inferred in the case. Very little detail regarding why the changing of the structure may have been necessary.

An average student would discuss the demands placed on all healthcare professionals working in various clinical and hospital settings. In addition, a discussion of how Dr. Sims seems to be involved in all day-to-day activities and performs all the duties of the healthcare professionals he employs would be included. The average student will have an opinion on why the change to the company structure may have been vital, but may not expand on the business-related reasons for doing so.

A student of above average aptitude would likely discuss the daily and long-term challenges faced by healthcare workers. In addition, this type of student would expand on the importance of being flexible in the healthcare field, as a healthcare business owner. The discussion would include noting the need for Sims Management to change from a centralized structure to a network structure to best utilize employee skills, expertise, and time.

4) What do you think are the most significant challenges facing Sims Management as continues its slow but steady growth stage of development? Why? What suggestions would you make to overcome any challenges noted?

**Answer:** A below average student would state a challenge or two with little or no justification. The suggestions given would have little detail or justification.

An average student would note numerous challenges and suggestions to overcome those challenges using information and knowledge having been learned in previous coursework. The suggestions given would have a fair amount of detail and would include justifications to tie them back to the original issue.

An above average student would elaborate further on the choice of the most important issue among many stated. The suggestions would be highly detailed and multi-faceted. Each
facet of the suggestions would be directly tied to the original issue. The above average student would give an informed and logical explanation of the intended effects of the chosen suggestion.

5) Is the specialized nature of the sleep and neurophysiological services offered by Sims Management a benefit to the future of the company, or a hinderance to growth of the company?

**Answer:** A below average student would state whether the specialized nature of the services offered by Sims Management were a benefit or a hinderance and stop discussion.

An average student would justify the choice of either benefit or hinderance appropriately. The suggestion given would have a fair amount of detail and would include justification to tie it back to the original issue of having a business model dependent on very specialized services.

An above average student would explain why the specialization is either a benefit or a hinderance to the growth of the company and would go one step further by discussing how to minimize the malevolent nature of the services rendered or maximize the benevolent benefits of the services rendered at Sim Management, Inc.

6) Do you consider the entrepreneurial challenges and achievements chronicled in this case as typical among most entrepreneurs? What are the bases for your determination?

**Answer:** A below average student would state if these challenges and achievements are typical among all entrepreneurs with little or no justification. The bases for determination would have little or no detail.

An average student would state if these challenges and achievements are typical among all entrepreneurs with little a significant amount of justification. The bases for determination would have details and may include stories about entrepreneurs known by the student.

An above average student would state if these challenges and achievements are typical among all entrepreneurs with a great deal of information to justify the assertion. The bases for determination would have include many details, stories and a mentioning of the entrepreneurship process that nearly all entrepreneurs contend with in their quests to found venture and keep them viable.

**REFERENCES**


