Your ROLE in GROWING your business PAST the START-UP STAGE

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Businesses evolve as they grow

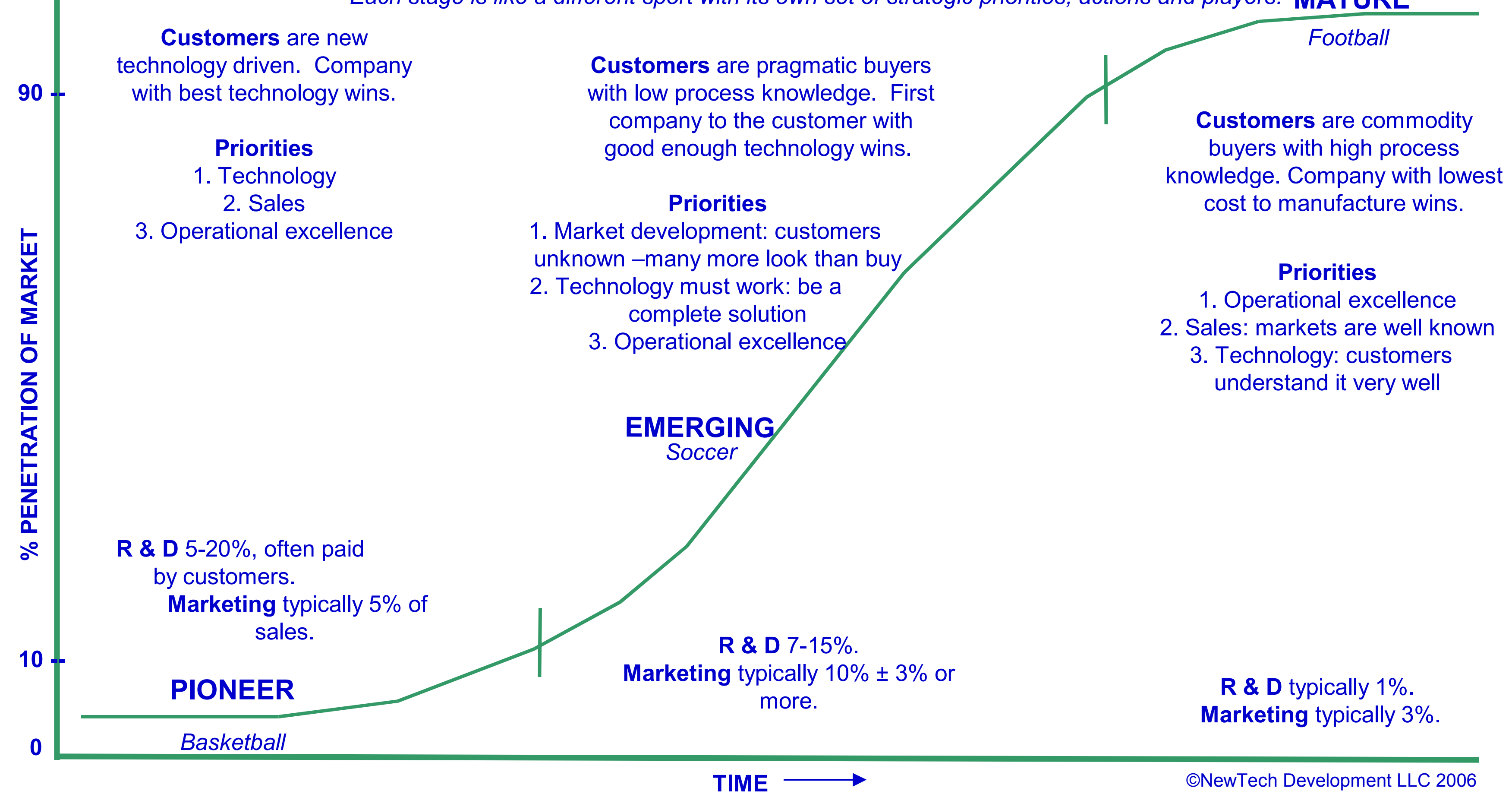
- Understanding the stages of growth, the requisite structure, and people’s roles is key to successfully transitioning the organization.
- The entrepreneur/CEO/business driver understanding his role and positioning himself to do what he is best at is vital to success.
- This is hardest when the owner/CEO has no one whose role it is to tell “the king that he is wearing no clothes”.

Understand that the business environment is dynamic

- Market cycles - seasonal, demographic
- Technological developments
- Market scope expansion - local to global
- Personnel shifts - changes in capability/ education of people
- Ownership - changes in goals & risk tolerance
- Business structure transitions - lifecycles

MARKET STAGES: Priorities for Success

Each stage is like a different sport with its own set of strategic priorities, actions and players.



Engineering can be cost plus.

Engineering must design major improvements to enhance performance and reduce cost to less than what is set by market.

Engineering must make continuous small cost reductions.

Customer selects the supplier from the few **competitors**.

Many **competitors** that change frequently. Only some will succeed.

Competitors are well known and solid in their market position.

Business life cycles

- A company moves through definable stages.
- To get to the next stage, the CEO and the company need to change to the behavior appropriate for the next stage.
- The most failure-prone stages during the growth stages are
  - Infancy
  - Adolescence

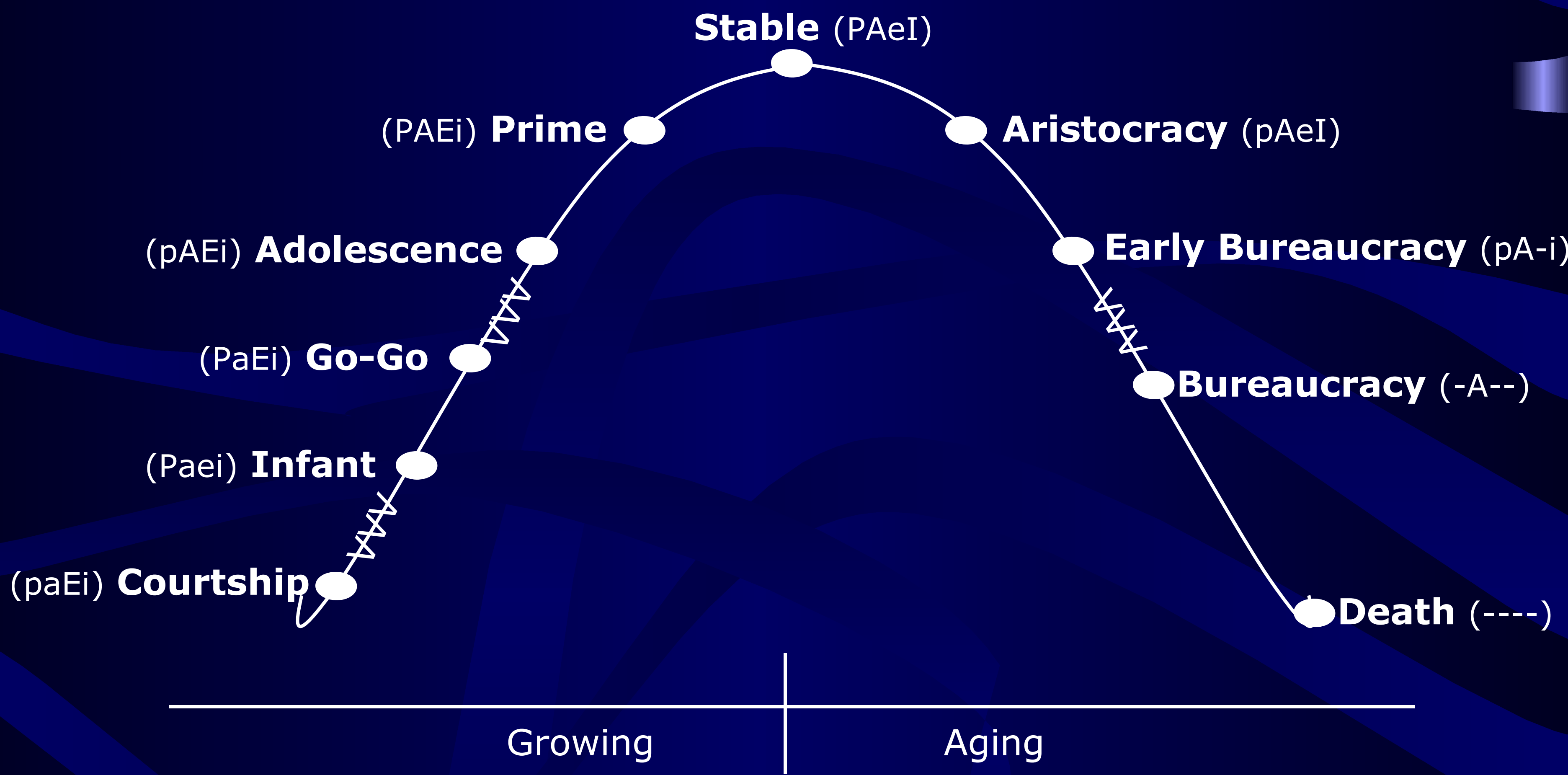


Figure 1: Organizational Styles over Lifecycle
From Ichak Adizes "Corporate Lifecycles"

Corporate Lifecycles by Adizes - a good resource

- Provides a structure and a language to analyze organizational stages
- Provides diagnostic tools to determine the present stage
- And most importantly provides guidance on how to transition to a different stage or better improve performance in the present stage

Four basic business roles

- Producer
- Administrator
- Entrepreneur
- Integrator

Each role –
a different effect

Role	Impact	Time Range
Producer (P)	Effective	Short
Administrator (A)	Efficient	Short
Entrepreneur (E)	Effective	Long
Integrator (I)	Efficient	Long

Producer

- Gets things done
- Sells or builds in the most expedient way if left alone
- Focuses on being effective today, does not worry about what will happen tomorrow

Administrator

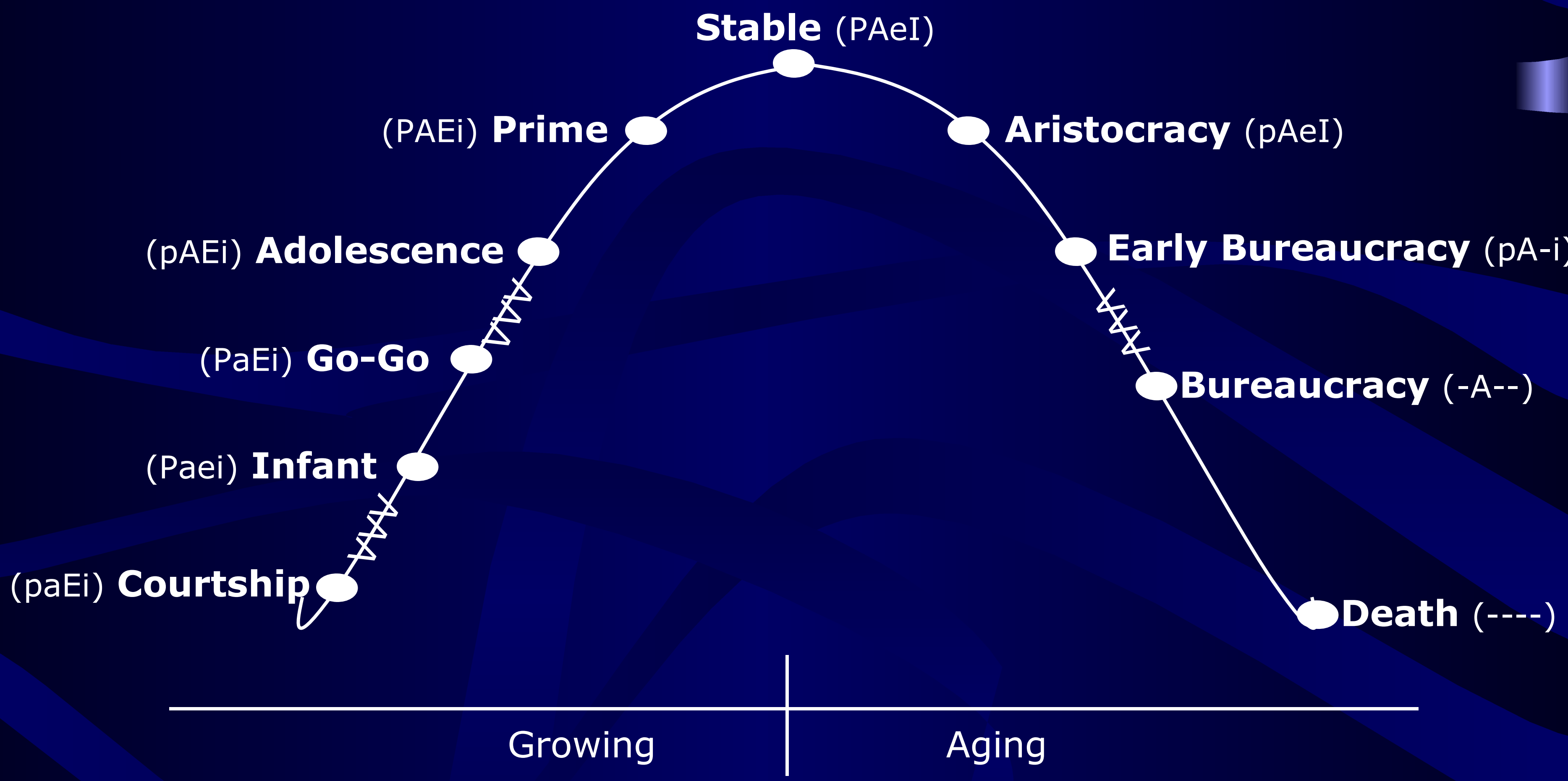
- Organizes activities
- Measures and writes down actions and results
- Actions are very efficient in the short run
- However things will always be done the same way under future conditions independent of "is it the right thing to do"

Entrepreneur

- Works to take actions today that will make things better tomorrow. Future focused.
- Often slows down today’s activities but tomorrow’s actions become that much more effective.
- Examples - a secretary implementing a new, easier and faster filing technique, sales and marketing recognizing a new market and getting products designed and built early in order to get a lead on the competition.

Integrator

- Makes an organization robust.
- Works to develop a culture of interdependence and affinity so that it does not depend on a single person to get things done.
- Encourages the expectation that one group will help out another when needed.
- Builds back-up systems so no one person is indispensable, but that make sure the organization is still able to make good decisions and produce.



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Lifecycle: COURTSHIP

- All about the future
- All entrepreneurial activities
- Thinking and planning key activities
- The decision to proceed has not been implemented
- No major costs incurred
- Graceful retreat still possible

Lifecycle: INFANT

- The stage where many organizations die
- Have committed to proceed; "We now have employees, a building, etc. but how do we pay for them?"
- Cash flow is negative so must produce; no time to think, must do whatever is necessary to make money
- Opportunistic actions taken even if not in "the business plan."

Lifecycle: GO-GO

- Life is sweet, cash flow is positive
- Very focused on getting things done, on producing (P) and doing the right thing (E)
- Very flat organization - everyone basically works for the CEO
- The founder can afford to be paid
- If the founder disappears, the company collapses as everyone else needs to be given direction by the founder on every decision not previously decided by the founder

Lifecycle: ADOLESCENCE

- Focus needs to be on doing the right thing for the future (E) and getting organized (A) so as to reach PRIME. Very difficult stage; 80% do not make the transition
- The organization is limited by the ability of the founder to manage *everything;* the biggest asset and the biggest problem is the founder
- The founder must truly share authority in order to get people who can make good, independent decisions
- Organization is schizophrenic - sometimes acts like an adult (Prime) and sometimes like a child (Go-Go)

Lifecycle: PRIME

- Has a mature infrastructure
- Concentrates on doing the right thing
  - for the future (E)
  - in the best way (A)
  - to produce results (P).
- Integration (I) is important but less than the other factors
- Characterized by a large capability for flexibility with good controllability
- There is respectful conflict

Lifecycle: STABLE

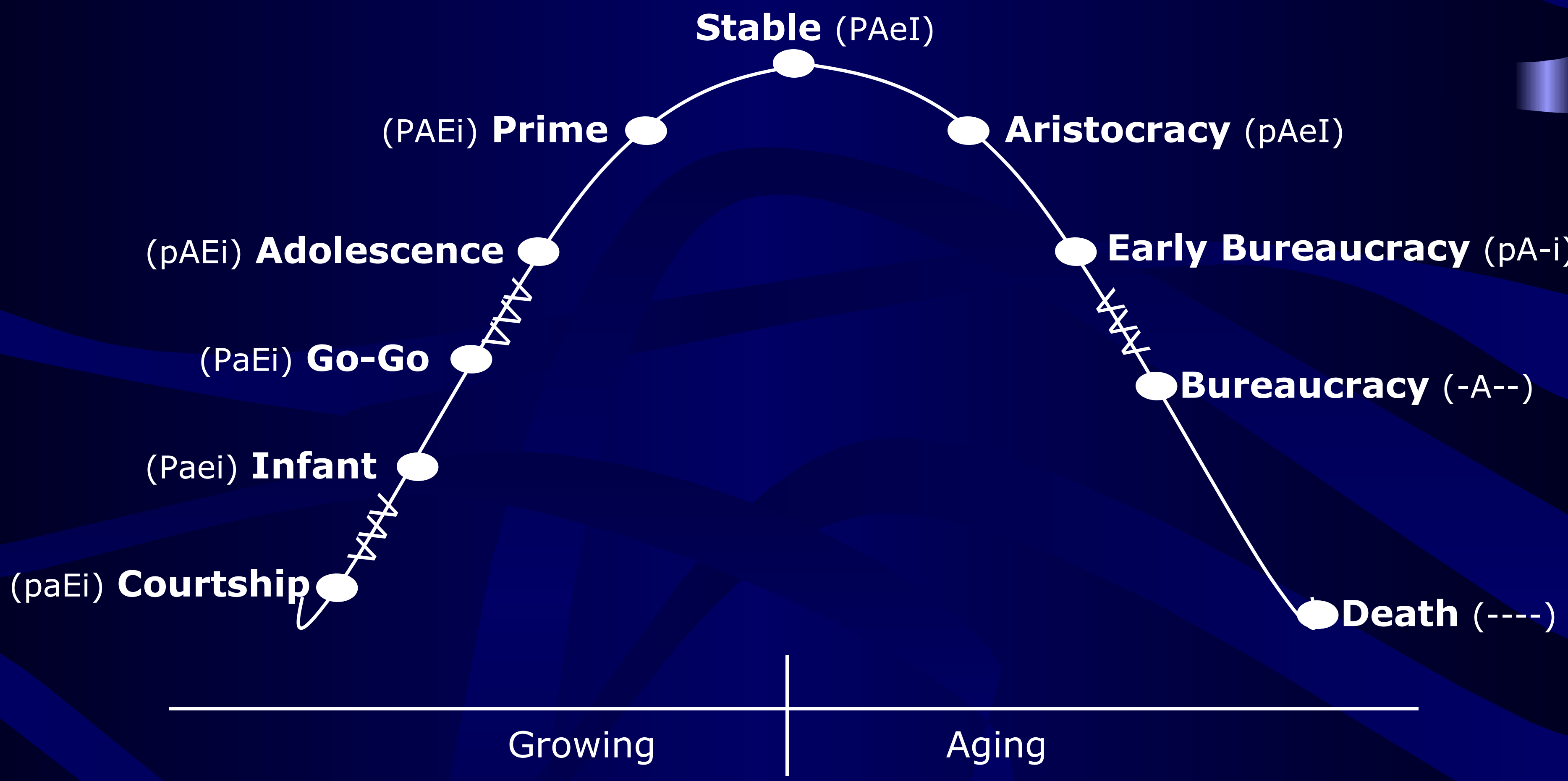
- If it ain’t broke, don’t fix it. Attitude is “I see a potential problem coming but everything is going well so why even bring it up.”
- Orderliness prevails and conservative approaches are taken.
- Creativity and a sense of urgency are less prevalent.
- ROI is primary.
- Finance people are more important than marketing, engineering, or R&D people.

Lifecycle: ARISTOCRACY

- Attitude is “We know how to do it, do not bother us with conflicting information”
- People’s motto is “don’t make waves”
- Money spent on control systems, benefits and facilities
- Low amount of innovation
- Emphasis is on how things are done rather than on what and why they are done
- Formality in dress and tradition

Lifecycle: BUREAUCRACY

- Many systems with little functional organization
- Driven by bean counters
- Disassociated from its environment; inwardly focused
- Risk adverse
- No sense of control
- Customers to be effective must develop elaborate ways to bypass or break through the system



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From GO-GO to ADOLESCENCE

Unless the company is lucky enough to be very profitable, choices must be made on what to focus on.

In order to implement (A), something else must have a reduced emphasis and that usually is producing (P). In this stage the pace of growth typically slows down while infrastructure is put in to support further growth.

Transition Pitfalls: FOUNDER'S TRAP

- Founder/entrepreneurial manager cannot delegate well, must make every decision
- Has difficulty letting go; spent lots of time, sweat, & energy building his baby
- Hires a good person and then that person is gone because he/she cannot do what are good at without permission
- If founder goes many times company dies also

Transition Pitfalls: PREMATURE AGING

- Conflict between the entrepreneurial and the administrator sides causes the entrepreneurial side of the organization to leave.
- The organization turns into an aging company with little or no drive to keep growing
- The motto becomes “work with the system, follow the rules.” The organization behaves like an ARISTOCRACY in the aging stages of the lifecycle

Transition Pitfalls: UNFULFILLED ENTREPRENEUR

- The administrative side (A) of the new organization becomes dominant
- The entrepreneur (E) either gives up or with the help of the bankers takes his money and leaves taking the drive for change and growth with him
- Results in the organization behaving like an ARISTROCRACY in the aging stage
- The organization is stuck and will stop growing

Are the problems Normal (N) or *Abnormal (A)*?

- Change always presents challenges
- Key question: Are the problems normal or are they abnormal for an organization facing this challenge?
- When does the organization need professional assistance?

Problems in ADOLESCENCE

(N) Conflict between partners or decision makers, between the administrative and entrepreneurial types

(A) Back to Go-Go and the Founder’s Trap

(N) Temporary loss of vision

(A) Entrepreneurs leave, administrators take over

Problems in ADOLESCENCE

(N) Founder accepts organizational sovereignty

(A) Founder is squeezed out

(N) Incentive systems reward the wrong behavior

(A) Individuals get bonuses for individual performance while the company is losing money

Problems in ADOLESCENCE

(N)Yo-yo delegation of authority

(A) Paralysis while power shifts back and forth

(N) Policies made but not adhered to

(A) Rapid decline in mutual trust and respect

(N) Board of directors exercises new controls over management

(A) The board fires the entrepreneurial types

Successful Transition to PRIME

- The administrative systemization succeeds
- Leadership is institutionalized
- Entrepreneurial drive is preserved
- Controllable flexibility is achieved

What is PRIME?

- Functional systems and organizational structure
- Institutionalized vision and creativity
- Results orientation: satisfy customer needs

The PRIME organization…

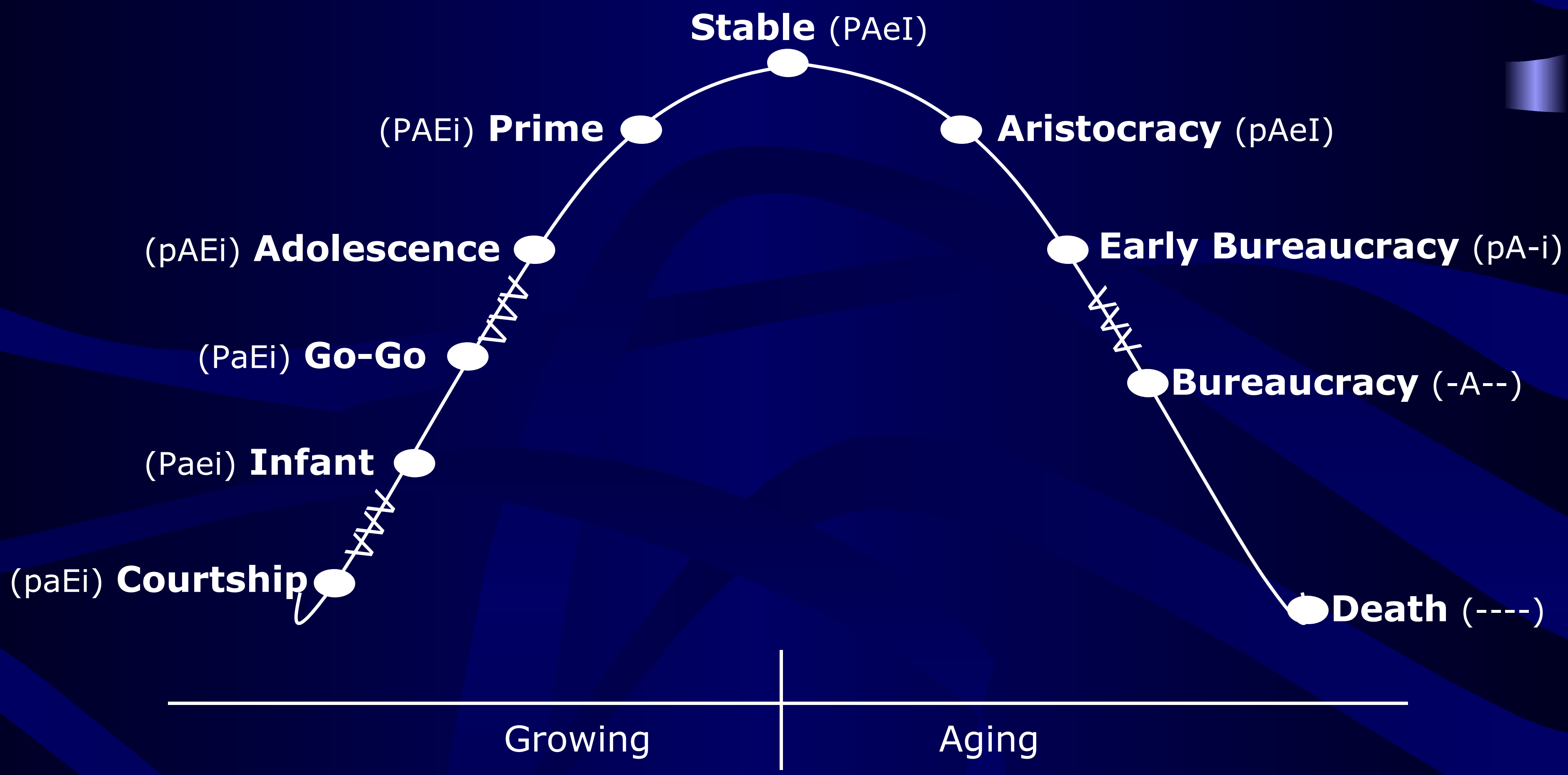
- Makes plans and then follows up on those plans
- Predictably excels in performance
- Can afford growth in both sales and profitability
- Spins off new INFANT organizations

PRIME organizations know...

- what they are doing
- where they are going
- how to get there

PRIME organizations

- Normal characteristic: Insufficient managerial training
- Abnormal characteristic: Complacency
- Characterized by respectful conflict: contrary views and opinions are searched out, listened to, and carefully considered with an attitude of achieving the best solution irregardless of the source.



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The big question:
SHOULD I GROW?

- Does the market exist to support a larger, costlier infrastructure?
- What do I want to do in the future?
- What do I really do well?
- Can I share authority effectively to make a larger organization possible?

SHOULD I GROW?

- How will we finance the growth?
- If I sold the company would the company and I be better off?
- Are my key associates capable of managing in the larger organization?

How do I come to a decision?

- Discuss with people who have relevant experience but no vested interest
- Not: Key advisors, investors, banker, key employees, etc. They will need to be involved but not until you are close to a conclusion

How do I come to a decision?

- Focus on truly understanding yourself, your talents, nontalents, drives, and aspirations
- Plan to get yourself into a position where you are doing what you do best