

**THE CEO & ENTREPRENEUR BOOT CAMP**  
The Art & Science of Business Design™



**Secrets CEO's Use to Grow Companies**

Bob Norton

Presented By:  **C-LEVEL ENTERPRISES**  
Rapid Growth by Design™

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**Some Goals For Today**



- a) Convey lots of proven secrets and philosophy that comes from experience
- b) Identify areas and weaknesses in your team skills, experience and background that can be corrected
- c) Review some models and examples developed to flush out problems earlier and turn them into strengths and advantages for your company
- d) Discover so new things to look into

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**Agenda**



- Team
  - Psychology
- Strategy
- Culture
- Leadership
- Management Styles
- Risk

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## THE STAGES OF A COMPANY'S DEVELOPMENT

|   | REVENUE                 | EMPLOYEES   | KEY INDICATORS   |
|---|-------------------------|-------------|--|
| <b>1 RAW STARTUP</b><br>None<br>(by definition)   |                         | 0-50        | a) Innovation as a priority<br>b) Always in Beta. High risk<br>c) More unknowns than knowns<br>d) Product or services looking to prove its market exists<br>e) Everything is fragile   |
| <b>2 EARLY REVENUE</b>  | \$100 to \$5MM          | 5-100       | Product delivered proving some value proposition, but still no proven sustainable or profitable business models.   |
| Most companies slow or stop growing here due to organizational and people limits. 100, 500 and 990 employees are critical hurdles. This is often the hardest step to make which requires the most changes in the earliest period of time. |                         |             |  |
| <b>3 ESTABLISHED</b>  | \$500,000 to \$50MM     | 20 to 500   | a) Profitable or clear path to profits<br>based on scaling business.<br>b) A proven market and value or price formula, with profits clearly available in a steady state world when scaled.   |
| <b>4 GROWTH EXPANSION</b>   | \$2MM to \$1 billion    | 50 to 1,000 | Market opportunity is many times larger than the company and there is a desire and ability for significant market share and/or revenue growth.   |
| <b>5 MATURE</b>   | \$8MM to \$100+ billion | 100 to X    | a) Strongly profit, optimization of market, incoporating or focused on the existing past investment b) Significant changes in the level, complexity or competitive ability of products forming a focus c) Consistent and thoughtful investment focus on finding, new distribution, under leverage. |

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## What Drive Success?

Deals = 1%

Anyone with lots of experience running a company, and even most VCs, will tell you the management team is the primary factor.

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## What Drives Success?

1. Team is 80%+ because a great team can fix anything else with time and \$'s
2. Idea – Raw value added for customers (best if there are protectable elements and barriers to entry formed)
3. Market(ing) – Selection of customer, distribution method, price, performance, packaging, delivery, quality level etc. . .
4. Finance – Available when others are all proven to work, very expensive with no proof

And don't forget luck and timing too!

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**TEAM**

- expertise
- experience
- prior success
- structure
  - leadership, management, and technical positions
  - advisory board and external relationships

**IDEA**

- represents dramatic technical improvement or innovative constellation of services
- reasonable barrier to entry fortified by intellectual property protection, speed to market
- complements or enhances existing products available from large suppliers
- scalable

**MARKET**

- large and growing space
- few or no incumbents
- typically non-branded products and services
- intelligent, adaptable positioning
- channel occupation/expansion
- TVM brings strategic value, especially for trans-Atlantic opportunities

**FINANCE**

- sensible valuation, reasonable terms
- sustainable burn rate
- clearly defined, achievable milestones
- qualified syndication partners

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### What Makes A Strong Team?

1. **Relevant Expertise** (technical skills)
2. **Experience** (in the challenging areas)
3. **Prior Success** (though failure is very educational too)
4. **Leadership and management skills** (esp. in all key risk areas)
5. **Network** (Advisory, References, BOD)

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### Job Scope and Levels

Large Company: 1 cell = 1 person, Startup: 1 person = 3 to 9 cells

|              | Mkting | Product Dev. | Ops | Finance | G & A | Sales |
|--------------|--------|--------------|-----|---------|-------|-------|
| VP           |        |              |     |         |       |       |
| Dir          |        |              |     |         |       |       |
| Mgr          |        |              |     |         |       |       |
| Super        |        |              |     |         |       |       |
| Group Leader |        |              |     |         |       |       |
| IC           |        |              |     |         |       |       |

i.e.  
1 Programmer must be:  
Software Engineer,  
UI Designer,  
Project Manager,  
Product Manager,  
QA & Support/App. Eng

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**BUT Most Experience and Skills Are Also Very “Stage Dependent”**



1. Understanding the HUGE difference between skills and needed at various stage/size companies is a key to success
2. No one would think an operational launch plan, product development plan or marketing plan for a \$1 billion company should look anything like the same plans for a startup!
3. Why do people not see this in the people? We must recognize the “stage” levels of experience and skills needed
4. Paying close attention to this dimension can be a huge competitive advantage for any company

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**Common Bubble Phenomenon**



1. VCs hire a VP from a large successful company as a startup CEO
2. Investors give them \$10-\$20 million and expect them to build a company from scratch
3. They are “fish out of water” and predictably quickly spend the entire amount (much on “infrastructure” just like at their previous large company) without creating any real value – The ENTIRE investment is lost
4. They do not understand how to run a “Stage 1” or Stage #2 company

**LESSON = Good person, wrong stage = FAILURE**

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**Key Dimensions of People’s Skills**



1. Discipline
2. Level
3. Stage

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## So How Do We Address This in a Practical Way?



1. Define the stages of corporate development
2. Define the types of experience (moving up the ranks from individual contributor to senior management)
3. Define and place bounds on the most critical disciplines for your company
  - This generic chart is shown, but this should be customized to the specific business needs
4. Interview and select people with these 3 CRITICAL dimensions in mind as the most important experience factors
5. Understand personality types appropriate for certain needs

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## Skills Set Matrix

One Sheet For Each Company Stage of Development 1 to 5 in the 3<sup>rd</sup> Dimension



|                     | Plan & Design Strategy | Lead & Oversee | Manage and/or Supervise | Execute (do it) |
|---------------------|------------------------|----------------|-------------------------|-----------------|
| Product Development |                        |                |                         |                 |
| Marketing           |                        |                |                         |                 |
| Finance             |                        |                |                         |                 |
| Sales               |                        |                |                         |                 |
| Operations          |                        |                |                         |                 |

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## Skills Set Matrix

One Sheet For Each Company Stage of Development 1 to 5 in the 3<sup>rd</sup> Dimension, but only now and next year drive this.



|                     | Plan & Design Strategy | Lead & Oversee | Manage and/or Supervise | Execute (do it) |
|---------------------|------------------------|----------------|-------------------------|-----------------|
| Product Development | VP Name (years)        |                |                         |                 |
| Marketing           | Consultant Name (yrs)  |                |                         |                 |
| Finance             | PT Virtual VP (yrs)    |                |                         |                 |
| Sales               | VP Name (yrs)          |                |                         |                 |
| Operations          | To Be Hired Q1-06      |                |                         |                 |

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# Strategy Development and Evolution

## Models and Processes

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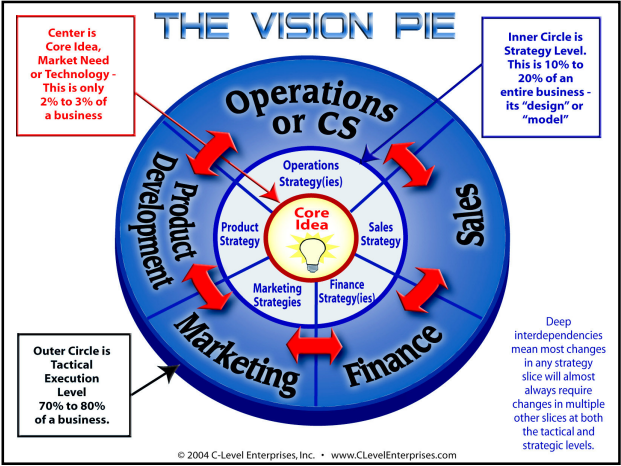
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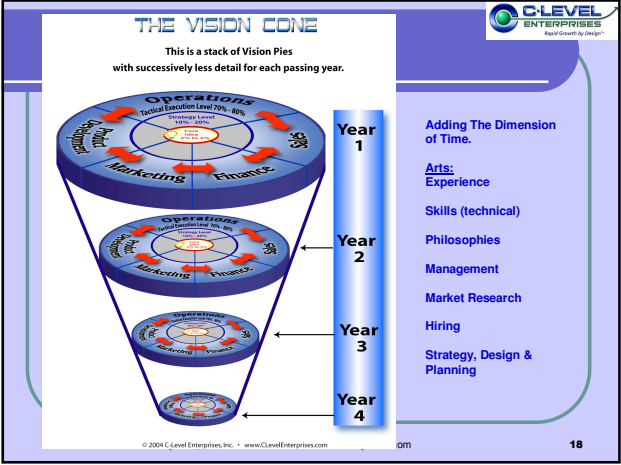
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## Where do we go from here?

KEY POINTS

\* To go from good to great requires a deep understanding of three intersecting circles translated into a simple, crystalline concept (the Hedgehog Concept):

THREE CIRCLES OF THE HEDGEHOG CONCEPT

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## Levels of Differentiation

|  | COMMODITY<br>(not competitive) | COMPETITIVE<br>(maintains competitiveness) | DISTINCT<br>(gains competitive edge) | BREAKTHROUGH<br>(achieves dominance) |
|--|--------------------------------|--|--------------------------------------|--------------------------------------|
| <b>PRODUCT</b><br>(tangible purchase)            |                                |  |                                      |                                      |
| <b>SERVICE</b><br>(tangible purchase)            |                                |  |                                      |                                      |
| <b>RELATIONSHIP</b><br>(intangible non-purchase) |                                |  |                                      |                                      |

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## S.W.O.T. Analysis

| Strengths | Weaknesses | Opportunities to exceed | Threats to making plan |
|-----------|------------|-------------------------|------------------------|
| 1         | 1          | 1                       | 1                      |
| 2         | 2          | 2                       | 2                      |
| 3         | 3          | 3                       | 3                      |
| 4         | 4          | 4                       | 4                      |
| 5         | 5          | 5                       | 5                      |

Strengths should drive strategy →

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| Targets (Where)<br>3-5 years        |                | Goals (What)<br>1 year |                | Actions (How)<br>Quarter |                              | Theme<br>Quarter Year |  |
|-------------------------------------|----------------|------------------------|----------------|--------------------------|------------------------------|-----------------------|--|
| Future Date                         | Year Ending    | Revenue                | Quarter #      | Deadline                 | Measurable Target/Critical # |                       |  |
| Revenue                             | Profit         | Gross Margin           | Revenue        | Revenue                  | Annual Theme Name            |                       |  |
| Profit                              | Cost           | Cost                   | Cost           | Cost                     | Q1 Theme Actions             |                       |  |
| Mkt Cap                             | Gross Margin   | Gross Margin           | Gross Margin   | Gross Margin             |                              |                       |  |
| % Govt Rev                          | Cash           | Cash                   | Cash           | Cash                     |                              |                       |  |
|                                     | ACR Days (DSO) | ACR Days (DSO)         | ACR Days (DSO) | ACR Days (DSO)           |                              |                       |  |
| Sandbox / Market                    |                | Key Initiatives        |                | Key Priorities           |                              |                       |  |
|                                     |                | 1                      |                | 1                        |                              |                       |  |
|                                     |                | 2                      |                | 2                        |                              |                       |  |
|                                     |                | 3                      |                | 3                        |                              |                       |  |
|                                     |                | 4                      |                | 4                        |                              |                       |  |
|                                     |                | 5                      |                | 5                        |                              |                       |  |
| Key Issues/Capabilities<br>3-5 Year |                |                        |                |                          |                              |                       |  |
| Priority                            |                |                        |                |                          |                              |                       |  |
| 1                                   |                |                        |                |                          |                              |                       |  |
| 2                                   |                |                        |                |                          |                              |                       |  |
| 3                                   |                |                        |                |                          |                              |                       |  |
| 4                                   |                |                        |                |                          |                              |                       |  |
| 5                                   |                |                        |                |                          |                              |                       |  |

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## Development Disciplines

- SWOT
- Annual strategy review
- Board of Directors – Sarbanes-Oxley guidelines (NACD)
- Internal Board of Governance and Development (for guidelines see book: Good to Great)
- Some business development options:
  - More related services in value chain (vertical integration)
  - Portfolio of products/services
  - Portfolio of market niches
  - Geographic expansion
  - IP Licensing and leverage
  - More R & D
  - Teach others your business (up one level)

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## Inflection Points

Point at which to leap to next S-curve

slow growth

dramatic growth

growth slows

new growth

growth plateaus

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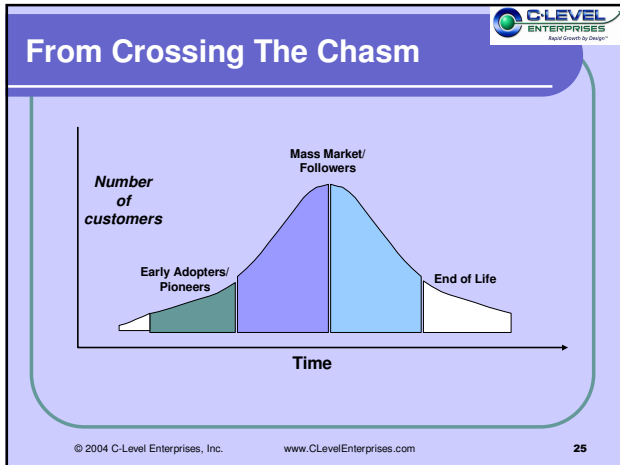
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### Simple CLM Example

|                 |              |           |                 |                     |
|-----------------|--------------|-----------|-----------------|---------------------|
| Highest Quality |              |           | Acura           | Rolls Royce Bentley |
|                 |              | Honda     | Toyota/Infiniti | Mercedes            |
| Medium Quality  | Nissan       | Chevrolet | Land Rover      | BMW                 |
| Lowest Quality  | Yugo/Hyundai |           |                 | Hummer              |
|                 | Low Price    | Mid-Price | Higher Price    | Highest Price       |

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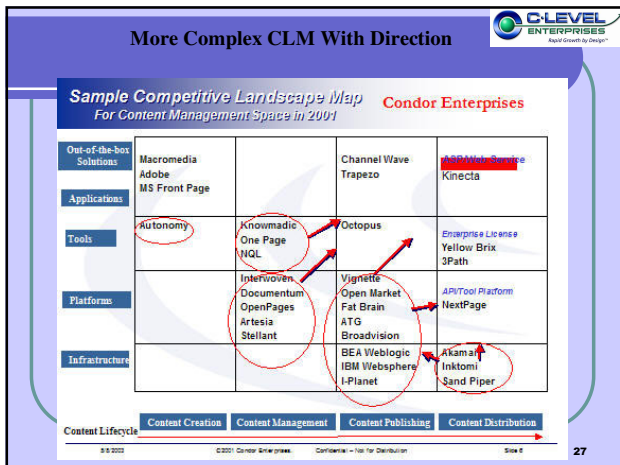
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## Psychology and Personality Types and Models

### Complementary Team Personalities

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### Personality as It Apply to Selection

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### The MBTI Grid and Suitability to Project Management Teamwork

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**People Mix – HOTS From OMM**

| Hares   | Owls   | Turtles   | Squirrels   |
|---|--|---|---|
| <ul style="list-style-type: none"> <li>• Idea people</li> <li>• Get bored quickly</li> <li>• Creative</li> <li>• Lack follow through</li> </ul> | <ul style="list-style-type: none"> <li>• Plan</li> <li>• Strategize</li> <li>• Make it happen</li> </ul> | <ul style="list-style-type: none"> <li>• Slow and steady</li> <li>• Naysayer</li> <li>• Conservative and cautious</li> <li>• "Black hat"</li> </ul> | <ul style="list-style-type: none"> <li>• Detail oriented</li> <li>• Methodical</li> <li>• Logical</li> <li>• Organized</li> </ul> |
| <b>Solutions</b>  | <b>Strategies</b>  | <b>Analysis</b>   | <b>Results/Doers</b>  |

Their idea is you need at least one type on every team. If a team is smaller either one Hare/Owl and Turtle/Squirrel or on Hare/Turtle and one Owl squirrel.  
 Building on the shoulders of Allen Fahden and Marie West, who theorized that most projects break down into the four categories (shown in the last row in the table above). And that these types of people will be successful in these type of tasks/projects.

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**DISC**

- Effective
- Cheap
- Benchmarkable
- Broad diagnosis that is useful for:
  - Hiring selection
  - Management aid
  - Development of people

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**Learning Types**

- Visual                      - Fast
- Auditory                    - Medium
- Kinesthetic                - Slow

- Important to recognize people by these, as they are best managed by what they value most, not what you value

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# Corporate Culture

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**Corporate Culture & Organizational Dev.**

At stage 3-4 companies are losing a sense of employee ownership and must leverage, develop, and maintain an employee culture and feelings of:

- Ownership
- Accountability
- Cost Consciousness
- Participation
- Sense of Impact (and control over results)
- Sense of Urgency

This is NOT all about compensation, though some incentive compensation initiatives that reward success and good corporate values are important.

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**A Learning Organization**

- **“Systems” for input from ALL employees and objective third parties for new perspectives on the practice:**
  - Customer needs and views
  - Process and systems aging and redesign (Ham story) – Are we asking why we do it this way?
  - View of technology and its practical impact
  - 30,000 foot view of industry trends (HMOs, Single payer issues, legal, moral . . .)
  - Constant reevaluation of need skills and resources and their relative weighting within an organization
  - Systems to adopt successful best practices in any industry

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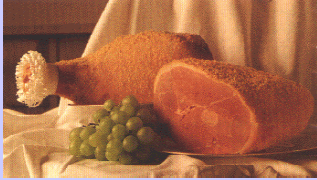
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**What is Required For Smooth Evolution?**

- Giving up some of what has worked well before on a smaller scale.
- Resistance to change is mainly fear of failure, but it IS human nature too!



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**Executive Development**

- Employee Development Ladder as basis for defining growth
- Quarterly and annual objectives for each mgr.
- Budget \$10K for managers and \$20K per senior executive per year –
  - Use as perk, retention vehicle and to reduce recruiting costs etc.
  - Keeps people fresh with new ideas and fire
  - Expect reading and personal development work
  - Seminars (2-3 day formats best)
  - Trade shows for both CI and education
    - Experiential training workshops

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**Good Metrics Allow**

1. Constant improvement
2. Focus on key issues
3. Understanding by all employees at all level of what is thought to be important by management
4. Benchmarking
5. Seeing long-term trends that can be masked by growth (i.e. more people, same procedures, lower billings)
6. Modularization of the business for geographic expansion
7. Accountability - Each department head must be totally responsible for its own (objective) measurement

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## Having a Custom Dashboard to Control and Improve Your Business



- What metrics will consistently indicate:
  - Staff Productivity
  - Sales (cost of selling, growth, quality, profit)
  - Marketing (conversion rates, cost per lead, ROI . . .)
  - Finances (gross margin, turn, ROE . . .)
  - Customer Satisfaction (turnover, complaints, failures . . .)
  - Internal operations (unit economics)
- These must be tracked over time as a "dashboard" on the business because you need to see further out and the obstacles are bigger – must be custom for every business
- Ratios better than absolute figures

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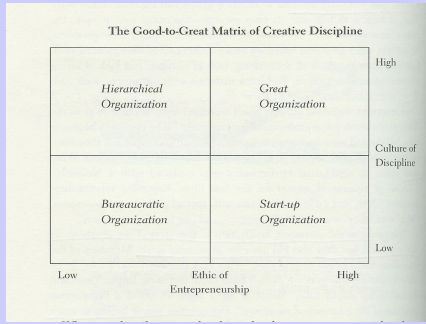
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## The Cultural Alternatives




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## Solution: Skunkworks Strategies

Frugal Experimentation Discipline – Especially in Prod. Dev. And Marketing




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**Cash Flow is King Stage #1-2**  
ROI and ROA Stage #3+



- Do not get fooled by watching P & Ls (this does not matter much until stage 4-5)
- These isolate you from reality in many ways
  - This can drive you broke – cash balance and cash flow are all that matters early-stage
- Have a financing plan with each step and a variety of sources to spread risk, control, and cost of capital
- You need to be working 12 months ahead of need or the investors will make you pay and you will not drive the deal

$$\text{ROA} = \frac{\text{Net Profit}}{\text{Total Assets}}$$

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**Finance People In General**



- Do NOT understand business holistically - they view it as all about the numbers
- Are too risk-adverse to be successful
- Slow the organization's creativity and productivity with rules justified by arcane accounting rules, tax laws and other "authority"
- These things must be squashed in any company for real success

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**Financial Models**



- Good financial model to do "what if" simulations is a must
  - YOU (yes YOU the CEO) must understand and operate this YOURSELF (not just a CFO or other)
- Focus on 1 year projections and impact of changes
- Validate all key/driving assumptions
- Be conservative where there is risk/unknown
- Focus is on creating a "virtuous circle"

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**Your Model & Simulation**

- Run the numbers over and over until you understand sensitivities
- Be able to plug these assumptions and changes yourself for instant answers (not asking the CFO)
- Where can you pull in collections? Get paid in advance? Pay later? Reduce capital requirements? Focus on faster results . . .
- Who else that benefits could offer credit terms or high margin contribution in kind?

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**Finding Your Virtuous Circle**

- Invested cash turnaround time is what limits growth
- If you can find a short cycle where  $\$X \text{ in} = \$X + \$Y \text{ out}$  you are well on your way to a good business
- If you can scale that cycle growth is easy
- Michael Dell is one of the richest men in the world because his model collected cash before he paid his vendors, as a result he was not forced to sell 90% of his business in the early-stages for financing.

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**KEY LEADERSHIP FOCUS AT EACH STAGE OF COMPANY GROWTH**

|   |  |   |
|---|--|---|
| <p><b>1 RAW STARTUP</b></p> <p>Specific expertise, drive and strong ability to work with people 1:1 and in smaller groups. "Vision". Attention to detail.</p>                             | <p><b>2 EARLY REVENUE</b></p> <p>Selling abilities and ability to identify the best people and emphasize with customer needs to adjust the business model.</p>   | <p><b>3 ESTABLISHED</b></p> <p>"Professional Management" skills to add processes and systemize for replication on a larger scale.</p> |
| <p><b>4 GROWTH EXPANSION</b></p> <p>Ability to focus on big picture and not get wrapped up in details. Deal making, best practices and standards that can scale the business further.</p> | <p><b>5 MATURE</b></p> <p>Political and communications skills with the ability to focus on longer term planning, goals and to select and hire the best people for a mature organizational environment.</p> |   |

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## Classic Growth Mistakes That Most Companies Make (Stages 1-3)



1. Running out of cash due to poor projections etc.
2. Failure to adjust culture, compensation systems, business processes and other "systems" with growth
3. Trusting too many outside "experts" and "consultants" that do NOT know your business and charge by the hour
4. Hiring mistakes because you can not identify people with the skills you do not have (*consultant and employees*)
5. Shifting gears too slowly to the next stage only when pain level is reached – Mode of Management

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## Classic Growth Mistakes That Most Companies Make (Stages 1-3)



6. Not adjusting or controlling your culture – behind the curve with something that can only change slowly
7. Diversifying away from your core values and competencies
8. IT behind the curve due to long lead times needed and lack of an MIS plan (virtual CIO?)
9. Geographic expansion without proper remote facility management skills and systems in place
10. Breakdowns in communications between levels of the organization

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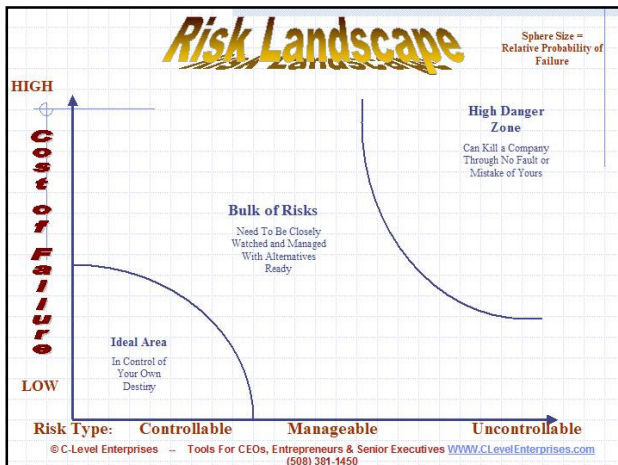
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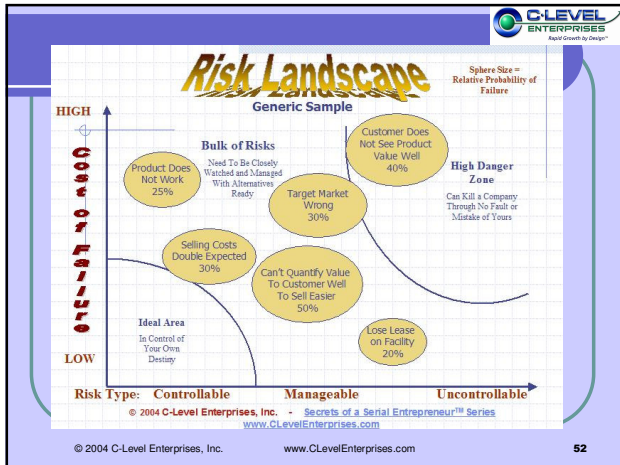
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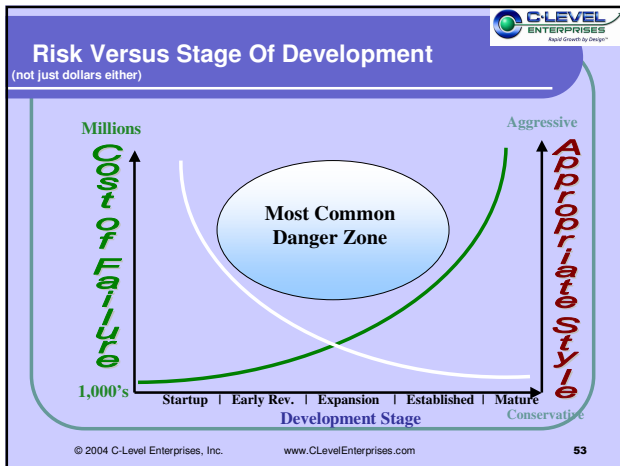
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## Management Models

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**What Management Methods When?**

|                         |                         |
|-------------------------|-------------------------|
| Individual Contributors | Micro Management        |
| Managers                | Management By Objective |
| Executives and Leaders  | Management By Exception |

Mgt. By Wandering Around at all times and levels

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**Pulling it All Together**

**Management Philosophy & Systems**

M  
B  
W  
A

A. Micro Management  
B. Management By Objective  
C. Management By Exception

4. Skill Set Matrix & Hiring Assessment Tools  
Talent Planning Tool

10. Employee Development Ladder

11. Personality to Task Matching  
Types of Tasks  
Solutions | Strategies | Analysis | Results/Outputs

12. Modes of Management  
Shift Gears for Appropriate Life Cycle Stage

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**Leveraging Real Wisdom**

**THE WISDOM PYRAMID**

**DATA**  
Raw data points  
(i.e. reports, bottom line totals)

**INFORMATION**  
Understanding of information in context of the situation or domain (i.e. what does this report mean? A PhD has lots of knowledge but not necessarily experience or wisdom.)

**KNOWLEDGE**  
An array of true stories, of knowledge and experiences that provides both deep and broad understanding of the subject matter at hand and the ability to interpret and extrapolate based on that. (i.e. You've read every book on fishing and have vast knowledge of the subject, but this does not make you a champion, or even a good fisher without lots of experience.)

**EXPERIENCE**  
A vast array of real-world experiences over many years and in many related areas that allow good judgment. This often requires accessing the subconscious mind, built over many years of experience, trial and error that is less capable to the conscious mind except through intuition and feelings.

**WISDOM**

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**Business Design and Optimization Tools**



| Tool  | Benefit   |
|---|---|
| 1. Roadmap to a complete vision   | Save \$'s and grow revenue faster designing in the 11 required elements           |
| 2. Market Research and CI System  | Get information few have on your market and competitors to tune your offering     |
| 3. Competitive Landscape Mapping  | Design strategic advantage into your biz from day one                             |
| 4. Risk Landscape Mapping - and move from "let it happen" to "make it happen" | ID risks and manage them to be in control of your destiny and maximize success    |
| 5. Skill Set Matrix   | Define who you need to be successful and hiring right to avoid very common errors |
| 6. Product Development Framework  | Boost productivity 3-11X+, creativity and product development discipline          |

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**Business Design and Optimization Tools** (cont.)



| Tool                                    | Benefit  |
|---|--|
| 7. Marketing and Messaging Pyramid      | Develop a comprehensive marketing, brand and messaging plan  |
| 8. Operations Dashboard                 | Control and project the business accurately and with focus   |
| 9. Sales Management, Process and Hiring | Develop a successful sales force, and process from day one and increase your hiring success 50%                    |
| 10. Management Systems and Philosophies | MBO, MBWA, MM and MBE and how and when to use each   |
| 11. Hiring Assessment Tools             | Scientifically validated personality to task matching for better results, retention and sales                      |
| 12. Growth Management                   | Shifting gears as your company grows to avoid pitfalls and ceilings that dog most founders during 5 stages of dev. |

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**Let's Open It Up for Questions**



Next CEO Boot Camp Orlando Feb. 27 to March 1<sup>st</sup>  
 Details at [www.CLevelBootCamp.Com](http://www.CLevelBootCamp.Com)  
 Coaching Program at [www.CLevelEnterprises.com](http://www.CLevelEnterprises.com)  
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