Managing an Early-Stage Business for Rapid Growth

by Bob Norton

Secrets of a Serial Entrepreneur™ Series

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Author's Biography

Robert Norton is an author, speaker, and consultant to CEOs, corporations and entrepreneurs on entrepreneurship, intrapreneurship, business design, rapid growth, and vision. He has been a full-time CEO and board member since 1989 and has grown and sold several businesses. He mentors and coaches both experienced CEOs and new entrepreneurs to increase their chances of success and guide their personal development towards becoming world-class executives.

Mr. Norton has developed and teaches many proprietary business design tools and systems for competitive advantage and rapid growth, which are now offered at various seminars across the U.S. including the Entrepreneur and CEO Boot Camp - "The Art and Science of Business Design". These systems have been developed over fifteen years of experience as a CEO and incorporate ideas from over a thousand business books. He is a specialist at building long-term competitive advantage into businesses so that profit margins can be maintained.

Mr. Norton has now participated in eight different startup companies, several non-profits, two companies that grew from $0 to over $100 million in annual sales on a full-time basis and many, many others in a consulting capacity. He has also worked for two different multi-billion dollar companies, giving him a broad perspective on corporate growth through all stages of corporate development from raw startup to a mature company.

Companies and products he has been responsible for generate well over $1 billion in annual revenues and include ISI Systems, Accurate, Thomson Financial Services, FIRST CALL, InvesTEXT, VideoMunifacts, Portia, HomeView, TechnologyForKids, Grumman

Aerospace and the International Thomson Organization. Many products he developed grew rapidly and some dominated their respective markets.

Mr. Norton speaks at various Boston area associations, universities, and corporations on many business topics including business model design, business optimization, organizational development, entrepreneurship, financing, and early-stage company management. He was a software engineer early in his career and a Vice President of Engineering and CTO before founding his first company in 1989.

He is a member of The CEO Group, IdeaSphere, WPI Enterprise Forum, The Association for Corporate Growth, The MIT Enterprise Forum, The National Association of Corporate Directors, The Seaplane Pilots Association and former member and group leader of the SBANE CEO Dialog program. He has also been an angel investor in several companies and acts as an independent director in some circumstances. Mr. Norton participates on non-profit boards and donates both time and money to various local and national causes regularly.

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INTRODUCTION

Congratulations on your purchase of this book. As an eBook it is designed to be as brief and focused as possible on the specific subject, and deliver as much valuable content as quickly as possible. It is not necessary for eBooks to be the many hundreds of pages required by many publishers to sell through traditional bookstores at a hardcover price. Nothing is more frustrating to me than an author harping on and on for hundreds of pages on what could have been explained in twenty to forty pages, but you never know if you have to keep reading to get more good ideas. You are also helping to save trees and the environment as loading this on your PC does not require paper, energy for packaging and shipping, and gas for transportation to stores and then your home. As a result you can get this book instantly, read it quickly, and immediately begin implementing ideas that can help you!

C-Level Enterprises offers a variety of books, tapes, and seminars on business design, development and operations specifically for CEOs, entrepreneurs, and senior executives. We also provide this same kind of experience and information through Seminars, Consulting and Speaking for greater customization and more specific help for your business. These books are written for people who already have some management experience and understand basic organizational dynamics in one or more industries. It is therefore assumed that the reader has some business and management experience already and these are advanced texts for executive development.

Almost all of the concepts apply to any business at some stage of development, and we also try to be very specific when advice is specific to early-stage companies or more mature companies. Early-stage companies should generally act and be managed very differently from more mature businesses. Although few people would think that a product launch plan for a startup should look similar to one for a multibillion-dollar corporation, there are actually many levels, some subtle and some very obvious, that developing companies go through. We will refer to these levels as follows:

THE STAGES OF A COMPANY'S DEVELOPMENT

	REVENUE	EMPLOYEES	KEY INDICATORS
1 RAW STARTUP	None (by definition)	0-50	a) Innovation as a priority b) Always in flux, high risk c) More unknowns than knowns d) Product or service looking to prove its market exists e) Everything is fragile
2 EARLY REVENUE	$100 to $5MM	5-100	Product delivered proving some value proposition, but still no proven sustainable or profitable business model.
Most companies slow or stop growing here due to organizational and people limits. 100, 200 and 300 employees are critical hurdles. This is often the hardest leap to make which requires the most changes in the smallest period of time.			
3 ESTABLISHED	$500,000 to $50MM	20 to 500	a) Profitable or clear path to profits based on scaling business. b) A proven market and value or price formula, with profits clearly available in a steady state world when scaled.
4 GROWTH EXPANSION	$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.
5 MATURE	$8MM to $100+ billion	100 to X	a) Slow growth, stagnation of market or company, or focused on harvesting past investments. b) Slow/little change in market and/or company or commoditization of products forcing a focus on costs above innovation. c) Consolidation of competitors and focus on finding new distribution and/or leverage.

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Obviously, these definitions overlap to some extent, as employees and revenue vary greatly from industry to industry, and business model to business model. For example, a distribution company can be small and unsuccessful at $5 million in annual revenue, while a five-person software startup can be a huge success at that same revenue level.

We hope you enjoy and profit from this book and we **REALLY** want your feedback, both good and bad. Good feedback encourages us to do more and negative feedback spurs us to improve.

Please email any comments to bookfeedback@clevelenterprises.com. If we use any of your suggestions, we will send you a free gift and a thank you for helping us improve and serve more people better.

We hope you use this information to "make your own luck" and grow your business more rapidly while having fun too!

Best of "Luck",
Bob Norton

CEO and Founder, C-Level Enterprises, Inc.

Modes of Management – Shifting Management Gears

Adjusting Your Management Style to Your Company's Stage

From the moment a new company is founded to its appearance on the Fortune 500 list, executives must be able to transform the way they manage a company — shifting gears, often dramatically to a different management style — to ensure the company's optimum development. I am not referring to individual executive style here. What I am talking about is the total adjustment and evolution of the context in which major management decisions are made. I call this the "Mode of Management," which is very dependent on the company's current developmental stage.

Every Company Is Unique. Every decision has a different context. Avoiding "reflex decisions" about "how I did it last time" separate the best executives from the also-rans.

Would you make the same product development decisions in an identical way with $100 in the bank and no customers as you would with $50 million in the bank and 1,000 customers? Of course not! So why do many managers often run an organization in the same way, despite the many gradual and often sudden changes that happen between these two extremes? It is human nature to continue to do what we have always done, to simplify and repeat what worked in the past, despite vastly differing circumstances. We need a system or context for adjusting and teaching the different "modes of management" as companies evolve. Some of these changes come naturally, but most are very subtle and linger far longer than they should. A failure to change can do substantial damage to a company before adjustments are made, or even doom the company to flat sales in the long term.

A key to ensuring corporate success is to let the various stages of a company's development determine its overall management "mode." It is a given that we must use the appropriate management mode for each and every decision and action we take in a company. The company's existing condition and/or stage of development is always the most significant determining factor, or the main context for almost every decision.

Making decisions in the context of a company's stage of development should be a top priority. Timelines are different, risk appetite is different and most strategic decisions will be dependent on that context.

Companies can reap enormous benefits when the style by which they are managed is adjusted quickly to accommodate the company's shifting complexities, stages, and sensitivities. In fact, quickly adjusting this mode of management can be a huge competitive advantage since most companies fail to adjust quickly enough. Just about every company exhibits often-overlooked, but critical, stress points that signal the need for decisive action or gradual reorganization. Recognizing these signs during a company's gradual metamorphosis, and responding to them appropriately, may mean the difference between bankruptcy and survival, or at least will help avoid stagnation.

Any good manager knows an adjustment in style and tone is warranted for different individuals and situations. People have different motivations and often respond differently to the exact same circumstance. This is natural; people react to other people's tone and body language in very individual ways. We receive immediate feedback in the form of facial expression, body language and actions, and adjust our reactions accordingly. However, a company is a much more complex organism that consists of many individuals interacting with complex outside market conditions, and provides little immediate feedback. Therefore, it is very difficult to use direct feedback to fine tune your management mode. Only years of experience can build enough data to form theories and adjust management modes with proper timing.

The learning curve to understand the differences of managing different stage companies can be an entire career.

Why We Simplify Too Much

Millions of years of evolution have taught us to run from danger and created a mind that adheres to simple "rules" that have worked for us in the past. Our mind wants basic rules we can reuse and it has been designed to use these learned shortcuts again and again. For example, we all know that fire is hot and not to touch it. The more pain (failure) or pleasure (success) that results from a lesson, the deeper these rules are ingrained in our minds. "Experiential" learning like this is remembered better because it involves more senses and pain and pleasure than simply reading something. This is why people who experience a single, huge success often have a tougher time changing or accepting inputs from external sources. They take this success as proof that they are "always" right and begin to repeat what has worked for them before. If they use their one learned mode in a different context, then they are more likely to fail.

> **An accelerating rate of change in the world makes shifting management gears and recognizing fast changing contexts more critical than ever.**

Unfortunately, the world is much more complex, and changes much more rapidly than ever before. In fact, this trend is accelerating because human knowledge is now doubling every few years. One hundred years ago, most people still used horses to get around and technology of any kind was primitive by today's standards. Because life is currently so much more complex, we need these mental simplifications more than ever. Yet now, we must overcome these past evolutionary behaviors and discipline ourselves to take hundreds of variables into account for complex and unique decisions we may never again make under the same circumstances.

Overcoming evolution can be difficult, but it is simply an exercise in conscious thinking that can be facilitated by some simple methodologies that force us to review important circumstances. The challenge as an executive is to force ourselves to think through all the variables of a given situation and make a decision in the proper, current context, not simply by referring to past experiences or rules of thumb.

Cognitive Dissonance

A) The strong tendency to see and acknowledge only that which reinforces what you already know, and to ignore, or easily explain away data that conflicts with your beliefs.

B) The desire to avoid dissonance or inconsistency, that would make you rethink things you already believe to be true.

Cognitive dissonance, the mind's tendency to see only those factors that reinforce what we are expecting to see, greatly aggravates this problem. We tend to distinguish only those things that reinforce our beliefs and actively avoid or explain away those things that disprove these beliefs. At the extreme, this can become the proverbial ostrich with its head in the sand — the "What I don't know can't hurt me" pose. Of course, this statement couldn't be further from the truth. Any company that fails to adjust to the rapidly changing world, economic, and market conditions, is doomed. Today even great Fortune 500 companies are rarely still there 25 years later. As managers, we have to overcome human nature and cognitive dissonance in order to make the proper contextual decisions for the benefit of our company.

Modes of Management – Shifting Management Gears

THE STAGES OF A COMPANY'S DEVELOPMENT

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Defining the Stages of Development

How Many Stages? How Many Modes? Why?

The number of stages is somewhat arbitrary here – and in fact there is really more of a linear transition – but for practical purposes, we humans need to limit the choices for structure and understanding.

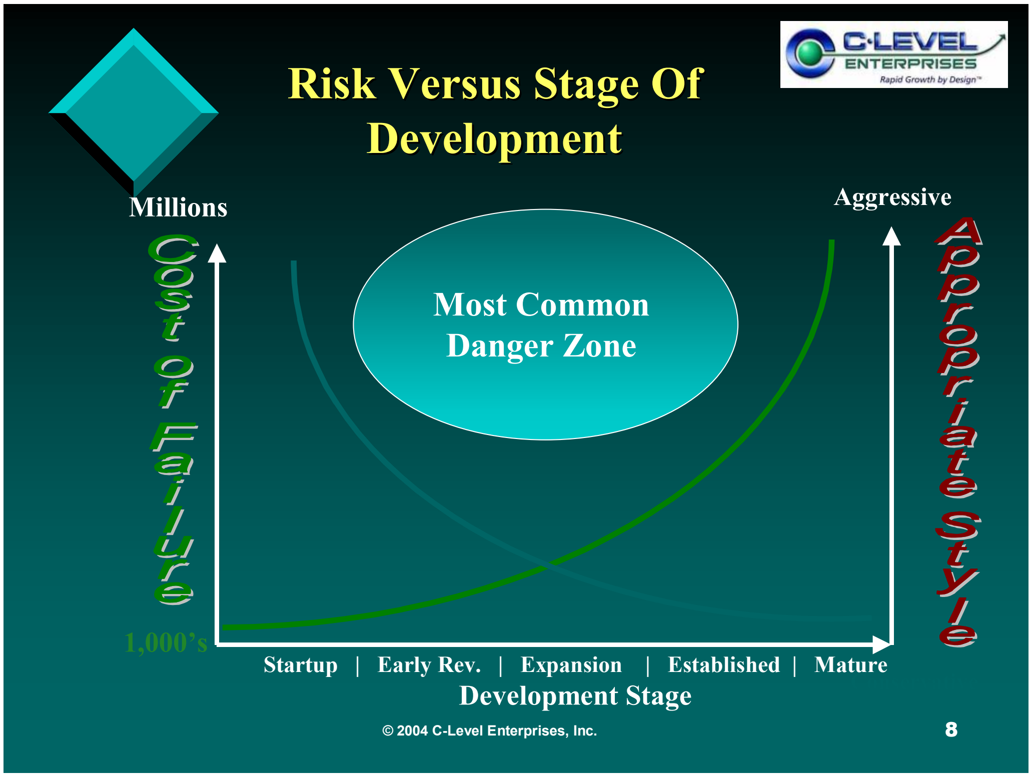
Companies come in many types, styles and sizes, and an approach that works tremendously well at one company can be a miserable failure at a different place and time. Every company and situation is different, so there are literally hundreds of possible "styles" or "management modes." For practical purposes, it is necessary to create a simpler, more workable model that can be used to illustrate a company's major plateaus and organize this infinite spectrum into useful stages. Then we can probe along the required dimensions for key issues.

Only experience at executive levels in large, medium, and small companies can help to identify the pivotal developmental stages that dramatically affect the context of a given company's decisions. Success comes from implementing a management mode that is a direct function of the company's *current* stage, industry, and market conditions. The risk is that a company will be run in the same way as its VPs, managers and/or CEO have always run their past companies or departments, irrespective of the important and differing macro variables created by this stage of development.

What is Different about This Philosophy?

Conduct a search via Amazon.com or on the Internet on the term "management" and you will find literally tens of thousands of books on the subject. From project management to company management, lots of authors push their particular methods and styles. These range from micromanagement and the One-Minute Manager to how to transform "good" into "great" behavior. What you will not find are many books about an approach that helps you define and implement a management mode that clearly correlates to your company's current status and position in the market. Yes, there are a few good books on startup management but, in general, there is little on the topic of "shifting management gears" available in the millions of books in print! I don't know if the lack of discourse is just because authors want to appeal to the broadest possible audience, or if most people and authors are actually naive as to how one must manage differently according to the different stages of a company. I am certainly not the first person, probably not even the first 100,000, to recognize this natural phenomenon. I suspect that authors are addressing the stage of company they are most familiar with, without much thought to the others. Unfortunately, for the bulk of their readers, this can make the majority of their recommendations and advice wrong, which is of little help. When making a major decision, too little credence is given to the enormous number of variables that make every corporate situation unique.

Actually, I have seen very successful executives with significant experience in large company environments give perfectly good speeches on management or leadership that are 100 percent true for large companies — and almost 100 percent wrong, and potentially fatal, if taken seriously by smaller companies. They are talking about steering an oil tanker when their audience consists of nothing but little speedboat captains. I suppose that these executives must have little experience and perspective beyond that large company perch, and they often wind up preaching to a crowd of entrepreneurs about things they *must* do, when in fact, following that advice could literally kill their companies. I once heard an experienced senior executive tell an audience of entrepreneurs that it can, and should, take six to twelve months or more to make a change flow through an organization. Maybe this is true for a cultural change in an old-line (read incompetent and uncompetitive) organization with several thousand employees, but this advice is crazy for any company under 100 people, and maybe even most companies under 500 people! I have made changes like this in a week in smaller organizations, and in a startup you may need to make many, many changes like this over six months. The problem here is that there was no context defined for the lecture and no language or thinking in the advice about a company's current stage. If it had been qualified as advice for companies over $70 million in sales, for example, it would not have been a potentially lethal lecture for the many startups and entrepreneurs in attendance that day. It seems we pay little heed to the simple fact that what can be right for a small company can be totally disastrous for a larger company and vice versa.



Adjusting Risk vs. Stage of Development

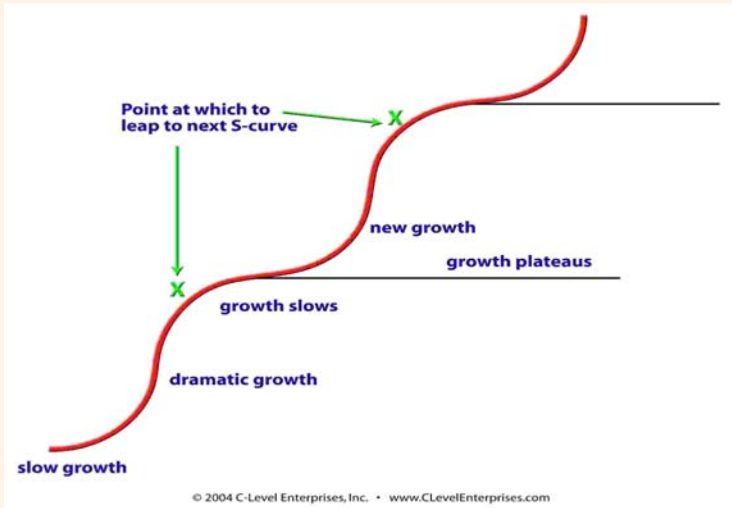
The key point made above is that as cost of failure goes up, risk must come down. You can be aggressive and take larger risks with a low cost of failure, but not when this cost is high. Typically, when the cost is high, the ability to "turn the boat" is also slow.

Of course, the opposite situation can also be true, wherein entrepreneurs, more often than not, fail to change their company's and personal management styles from raw startup mode to the next level. They cannot "let go" and delegate to others. This is why entrepreneurs are often replaced by "professional management" or people with specific experience in that stage of company development. It is also a major reason why many companies stagnate at a certain level, which is ultimately the maximum level or size at which a controlling entrepreneur can be effective, or remain in his/her comfort zone. A major change is required of the CEO at each stage, and not making that change can make a company stagnate. To ensure that stockholder value continues to grow, a board of directors at any company with more than a single shareholder has a fiduciary responsibility to replace a CEO as soon as he/she shows signs that he/she is not evolving with the company. I believe a solid, well thought-out system can allow many entrepreneurs to make this evolutionary transition as their company grows.

Adjusting to the Best Management Mode

My goal is to shine a light on this failure, to preach *in context,* and to create a methodology to qualify these recommendations and comments and adjust our mode of management. This needs a system of definitions, models, and language. To be successful, we must also have some guidelines for management modes that are appropriate for certain stages and situations in a company's life. This would allow us to benchmark our management mode and proactively evolve it as a company grows.

Many executives, who spend their entire career in a single stage of a company's development, or a single company, are often unaware of this need to shift gears. Often this is the pattern caused by delays in this adjustment.



Unfortunately, there are not many people who have experience and perspective in a wide range of company sizes, and can therefore speak to these vast differences. Academia may not be able to properly recognize and study this problem without first establishing a framework by someone with experience across most stages of a company's development. After all, this is not so much a theoretical or quantitative problem as a real-world experiential learning issue and, therefore, it is hard to define and bound properly.

An executive's ability to shift gears in the face of a situation that appears familiar, but is actually ALMOST ALWAYS UNIQUE, and a different context from what he/she has seen in the past can make or break a company. When a decision's context is very different due to the corporation's current stage, it must be recognized immediately to produce a vibrant, growing company.

Each decision we make is highly context-sensitive to many macro factors. Sometimes, these macro factors are developed or institutionalized over time. For example, IBM would never go after a very small market, because doing so would distract management and resources from bigger market opportunities that would better serve its corporate size, overhead, and growth needs. Everyone at IBM knows this and, accordingly, would not present a plan to the IBM corporate machinery for a product with a small market opportunity. However, at the other extreme, younger companies have not had the time or experience to develop such rules or systems, forcing executives of small and medium-sized firms to make them up as they go along, based on the specific circumstances of the day. People may attempt to adopt their own "rules of thumb" from their former companies, but the odds that these are also appropriate for their new company are slim indeed. I have seen many young companies enter markets that were way too big for them to be successful in because larger companies will easily replicate what they do quickly. Then, because they have not already secured a beachhead they can protect, larger companies scale their business easily using their established distribution network and capital-base and decimate the new entrant's market. This classic "startup without a market-entry strategy" scenario is common in technology where technologists do not have enough experience in building businesses and attaching markets. I cannot possibly count the number of companies with a superior product that ultimately failed because they did not adjust their market-entry strategy to the size of their company's resources, or because they managed the company like a large one when it was just in its infancy.

So what do you do differently along the spectrum from a raw startup to a mature company? For now, understanding the concept and potential traps will have to do. This phenomenon requires many examples and structural models to set up and aid the management decision-context. The first step toward success is acknowledging the need for a decision-context management framework and an understanding that the biggest single factor in almost any corporate decision is this framework.

Here are some development goals for each stage of development that can be used as benchmarks to think about some serious gear shifting. When these are reached it is time to shift gears.

Stage 1 Goals

1. Working at house
2. Bootstrapping mode
3. NO salaries really
4. Founders equity as payment
5. Goal, get MR and B-Plan Done
6. ID first customers
7. Define product well
8. Fill in much of vision

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Stage 2 Goals

- Product/service ready and launched (beta to real)
- Establish your infrastructure, policies and vendor relationships
- First revenue flowing (loss expected unless service or service to product flip)
- Define team fully using Skills Set Matrix for today and the next year
- Begin figuring out the "secret sauce" and virtuous financial cycle and spend lots of time with customers (yes YOU the CEO!)
- Develop relationships with critical vendors, customers, employees and other potential stakeholders

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Stage 3 Goals

- Product/service formula down
- Tuned infrastructure
- Expand sales channels and relationships (JVs)
- First profits flowing
- Full team on board (5+ top executives in VP slots) and deepened using Skills Set Matrix for today and the next year
- Figured out the “secret sauce” and virtuous financial cycle
- Formal planning processes performed annually with quarterly and monthly monitoring and adjustment

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The Most Common Mistakes Made By Early-Stage Companies

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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Conclusion

Shifting gears can become obvious when pain levels are reached, but this can hurt your reputation and customers and so it is a less than an ideal way to identify that a shift is in order. It is also possible these indicators will be masked by people or other mechanisms, causing growth to come to a halt without management seeing these indicators (i.e inventory in the warehouse runs out and no one reports the lost sales opportunities).

You must proactively plan these transitions at jumps in revenue and employees. It may also pay to have an outside perspective from a quick SWOT (Strengths, Weakness, Opportunities, Threats) analysis by an outside consultant. This can be done in a couple of days and usually reveals issues that are hidden due to the self-interests of individuals or systems even when no gear shift is needed.

Simple Yet Powerful Management Methods That Work

How to Manage Employees at Varied Levels of Experience

There are far too many texts and systems on management and I do not want to create another. I have close to 1,000 books on business in my library and there is a huge overlap. Here is a simple and effective system I use, distilled from this large library and over 20 years of real-world management practice. This system leverages many of these wonderful systems that can be anywhere from fantastic to disastrous in a particular situation or stage of business development, but selects the method, not based on an overall philosophy of management, but more on the capability of the individual being managed. In every case, some thought must be given to which technique is appropriate for each special circumstance and individual.

> **"A single conversation across the table with a wise man is worth a month's study of books."**
> **-- Chinese Proverb**

This simple, yet very effective, model for people-management uses the following combination of well-known management-styles by selecting the appropriate method for each individual. This is an easy model to understand and implement and adjusts the management-style to each individual's specific abilities and limitations. In general, you are going to work very closely (micromanage) with everyone when they are first hired to help determine where they are on this scale and then move down the scale until you reach their current ability to perform. Initial micromanagement will also allow the defining of parameters for working together and understanding each other's styles and needs. This generally means at least daily discussions and sometimes even more often. Don't forget, there is always a responsibility to manage your boss as well and the boss gets to define that style.

Table - Management Methods

Method	Appropriate For
Micromanagement (MM) **Also appropriate for a while to allow new relationships to get up to speed on each other's strengths, weaknesses, and style.**	**Individual Contributors**
Management By Objective (MBO)	**Experienced Managers** ***(possibly some supervisors)***
Management By Exception (MBE)	**Experienced Executives**
True Leadership	**Business Managers, CEOs, GM, Managing Directors**

Management By Wandering Around (MBWA)

MBWA should always be done, parallel to any, and all of these methods to transcend management and organizational levels and ensure that you are aware of what is really happening at all levels in the organization. This consists of walking around the organization and maintaining casual and personal relationships with people at all levels. It can also be done through social functions and contact that puts together people from different areas who do not normally interface. This allows organizations to be leaner and flatter while lowering the risk that information is not getting all the way up, down, and across the organization. It lowers fears of talking to people in other departments, etc.

In most companies, there is far too much filtering of information between levels due to many factors, including political reasons, self-preservation, avoidance of confrontation (or even manners that are too good), and sometimes simply not caring. This can also happen because people get complacent and think that others do not care or settle for how "things have always been." Constant evolution and improvement is necessary in any organization today. This attitude can create a self-fulfilling prophecy that is damaging to any organization's culture and effectiveness and becomes "the beginning of the end."

Micromanagement

Micromanagement is constantly looking over someone's shoulder. This can be minute- to-minute or hour-to-hour, but is typical in situations where employees are new (high turnover), low-skilled, or simply not well-motivated. For example, in a telemarketing operation, callers are monitored very closely using physical supervisor presence and/or excessive electronic monitoring to ensure that work is carried out properly and with sufficient effort. I believe it is completely appropriate to micromanage all new employees for some period of time until you understand their abilities and limitations and they understand what to expect from you as well. In fact, there is really little choice.

**Some resist change …
and perish.
Some adapt to change …
and survive.
Some pioneer change …
and prevail.**

Management by Objective

This means you can lay out goals and trust that the employee has all the necessary skills and experience to perform THAT TASK without outside help or resources. These could be daily, weekly, or even monthly goals depending on the industry, task and other factors, but typically any good manager should be able to go a week or more without needing help from his/her superior. This can be easily done with repetitive work, especially when it is event-driven by outside factors. For instance, a car-wash attendant can be managed this way with little training because the cars keep coming and the job is relatively simple.

Management By Exception

> **“Confidence is courage at ease.”**
>
> **-- Daniel Maher**

This is when you can not only trust the employee to carry out the task, but you can also trust him/her to understand when he/she is outside of his/her own abilities and experience and know to come back to you for additional help and resources. This trust really must be earned and is rare without lots of management experience, high confidence, and ability. There is also the supposition here that the person has the experience and skills to identify opportunities that might come out, which were outside the scope of his/her objective. In other words, this employee will seek out and find new opportunities to help the company, which were not part of his/her objectives. In this "mode of management," you may be meeting with the employee once a month to review progress. Only 5% of people will ever achieve this level of expertise and these people are the most valuable in your organization because they have leverage and can cause resources to be used in such a way as to generate profits.

Leadership

This is the next level where a person is ready to **successfully** start and/or run an entire business and does not need to be managed at all. By this I, of course, do not mean running a simple sub-shop or dry-cleaning service, but a complex organization where multiple departments, levels and/or disciplines must be used to deliver value to customers. This means a large set of skills, which could fill a book, and most people will jump in before they are ready, but that is how we learn too.

> **"Business design experience is like yeast, you don't need a lot of it, but without that pinch the bread just won't rise."**
>
> **-- Bob Norton**

Unfortunately, it is easy to find people who consider themselves executives, but are not able to perform at this level for many reasons. Reasons might include a poor history of managers, simple jobs with support systems, which never required good performance, or even corporate structures (which, you and they may not have in a new position).

Today, many organizations have frozen growth because they have people without the correct level of ability in positions of responsibility. Often this is even the owner, board of directors, or CEO, who cannot begin to let go and delegate to more senior people who can be trusted with key tasks. As organizations grow, it is easy to have key positions filled by people who limit growth. Therefore, replacement of some people is inevitable as an organization grows. It must shed some skin because few people can keep up with a fast growing organization completely. It can take decades to develop all these skills and a company can go through fast growth spurts. Some larger organizations spend a fortune on organizational development (OD) to ensure this does not happen. This is valuable, but often not necessary, until a company is very large to reach optimum performance. Any company under $1 billion in revenue should be able to have its CEO

> **"A ship in a harbour is safe, but that is not what a ship is built for."**
>
> **-- William Shedd**

select, develop, and replace the senior staff appropriately. If this is done right then, that senior staff will be able to do it on the next level down and so on.

A Powerful Yet Simple Framework for Employee Development

Expectations for Climbing the Corporate Ladder

It is the goal of all quality organizations to provide their employees with superior opportunities to grow, both individually and as professionals. Nothing has greater impact than hiring the right people and having them develop simultaneously with the company's own growth. This creates continuity of management and knowledge and also an environment for employees to thrive and grow. It has been frequently shown that appreciation and growth can be stronger motivators for an employee than money and can result in reduced turnover rate, improved customer service, and ultimately generates higher profits for the company. With this in mind, it is best to lay out clear expectations for performance so that employees can achieve both personal and professional growth. Employees should understand that their employer is committed to making every effort to educate them so that they can expand their horizons and take on new responsibilities over time.

A system like this provides some transparency to the "mysterious" process of promotion and professional growth that many employees think is biased, unfair, or a function of pure politics. These beliefs can cause people and organizations to stagnate as everyone becomes resigned to the fact that they cannot compete, based on some untrue belief. Using a system like this makes more transparent the process of professional growth. It lays out for employees what people must do to move up the organizational ladder and achieve certain career goals. It forces people to internalize, not externalize their limitations so they can work on them and not blame others, politics or other factors. Publishing it inside your company can make it clear to your employees that rewards and promotions are there for those people that earn them, and not for those that play politics, look busy, or cozy up to the boss.

In the top organizations, reward is always based on merit and political factors are simply a way to generate more opportunities for visibility. The following is designed to describe the typical expectations of employees at various levels, and to provide a framework for their personal and professional development. It should have a huge impact on many people and hence your entire organization.

Diagram – Management Methods

Method	Appropriate For
Micromanagement (MM)	Individual Contributors (Also appropriate in new working relationships in order to get up to speed on each other's strengths, weaknesses and styles.)
Management by Objective (MBO)	Experienced Managers (including some Supervisors)
Management by Exception (MBE)	Experienced Executives
Leadership	Business Managers, CEOs, GM, Managing Directors

Expectations of Individual Contributors

Employees at this level require supervision daily, if not even more frequently. As such, they are "micromanaged" and cannot be expected to pursue objectives larger than fairly simple, straightforward and repetitive tasks (see article on Management Methods). The bulk of all employees fall into this category and will stay there until they are shown how to develop into a management level employee. The necessary skills and traits for this level are as follows:

1. Can identify, resolve, and avoid basic problems in their narrow functional area of the business.

2. Can interact and influence co-workers, customers, clients, suppliers, vendors, and job applicants in a courteous and professional manner to produce favorable results.

3. These employees are expected to effectively and efficiently manage their time, materials, and space.

4. Can proactively initiate ideas, set simple goals, and account for results.

5. These employees are expected to be bright and have a positive, can-do attitude. Clearly there is a law of averages here in larger companies, but bright employees should warrant additional compensation and all businesses should strive to hire the best people it can find.

Removing the mystery of climbing the corporate ladder will motivate people to develop their abilities for both personal growth and corporate benefit.

6. Can perform specific short-term tasks with no more than daily management/supervision.

7. Some younger employees may not have developed a specific valuable skill-set, or decided on a career path, but all employees are expected to seek the training and practical experiences they need to carry out their responsibilities and improve themselves.

8. Need to work on their ability to understand the business and organization as a whole.

9. Need to work on their ability to plan in advance and, therefore, deliver projects on time.

10. Seek to inform their manager of ways to improve customer service and increase productivity.

> **"It is one of the most beautiful compensations in life that no man can sincerely try to help another without helping himself."**
>
> **-- Ralph Waldo Emerson**

11. Help others in their group achieve their goals by filling in where necessary and cross training.
12. Need to develop a consistent positive attitude and a plan for skill-set development.
13. Generally, only expected to work 40-45 hours per week. A greater level of commitment in time for self-development will be necessary for advancement to managerial responsibilities.

<u>Supervisor</u> - A supervisor is someone who is capable of managing a small group (one to seven people) with a specific skill-set (i.e. telemarketing, physical jobs). Generally, they have done the job before and understand all of its requirements. Although many of the skills of a manager would be beneficial, this is a much less demanding position. It requires the expertise to hire, train, and fire people and to plan one week to one month in advance for workload variations. A supervisor may be working on becoming a manager, or alternatively, could be a career supervisor, who has reached their limits or desire for professional growth.

Additional Expectations of Managers

(Includes all of the above AND……)

Employees at this level can be "managed by objective" (MBO) and left to "take a small hill" by themselves. They do not require "micromanagement." A weekly meeting with their superior is generally all that is needed. (See article on Management Methods) Typically, a company needs one manager for each five to eight employees, although this can vary greatly. A good manager can effectively manage this number of people well and still complete the work necessary for their own projects (scope). A manager must have the flowing skills and traits:

1. Good working relationship with people and is considered "fair" and consistent. Has the ability to manage 1 to 25 people effectively with three to seven direct reports.
2. Can communicate effectively to subordinates and peers through writing as well as orally.
3. Documents well so that everyone above and below them knows what happened or is going to happen in advance when appropriate, and can leverage their work product, not repeat it.

Successful people have formed the habit of doing those things that unsuccessful people don't want to do.

4. Can evaluate, hire, fire, and train people to perform all tasks in their department (understands each area well).
5. Can develop written short-term (one month) and long-term (one year) plans, set priorities, and allocate resources.
6. Can anticipate all the needs of their department, at least one-year in advance (both people and other resources) and prepares in advance for the need (i.e. finds people in advance of need so they arrive just-in-time).
7. Measures performance (quality and quantity) in their area and aggressively fine-tunes it (quality and quantity). Is constantly improving the efficiency of their department and its people as well as developing the skills of those people.
8. Delivers promised projects on time and within budget. If a project is expected to be late, he/she always gives plenty of advanced notice of this to his/her superior and all others to whom the project may impact.
9. Always keeps his/her people highly utilized.
10. Does <u>whatever it takes</u> to deliver output on time, including being proactive enough to find out what he/she needs to know to achieve goals and make quality

> **"Man's mind, once stretched by a new idea, never regains its original dimensions."**
>
> **-- Oliver Wendell Holmes.**

decisions. Unfortunately, this is a skill possessed by less than five percent of all people. It is "self-actualization" or an inherent drive to improve themselves. This is someone who is aware of what he/she doesn't know, and seeks to learn it in advance of the need. They are not only thinking ahead, but also always improving themselves to be prepared for those future requirements. Without this skill, an employee is not likely to make it to the executive level on merit and will not keep up with a fast growing company.

11. Has good overall judgment and knows the limits of his/her knowledge and that of others so as to avoid making decisions that should be brought before his/her superiors (A fallback to the previous requirement when there is not enough time to learn everything needed).
12. Can budget for a department and manage within those financial limitations at all times.
13. Can negotiate with outside vendors to get a good deal for the business.
14. Needs direction from his/her superior on a weekly to monthly basis.
15. Manages his/her superiors (managing up) and keeps them informed of all successes and failures with advance notice on important issues.

> **"Luck is what happens when preparation meets opportunity."**
>
> **-- Elmer Letterman**

16. Works 50-hours minimum and 60 to 70 hour weeks as and when needed (not all the time or even on-site, but as needed) to achieve promised goals.
17. Sets an example of professionalism, quality, effort, and positive attitude.

18. Works at developing a greater level of understanding of the other functional areas in the business.

Confucius said, "A journey of a thousand miles begins with a single step."

19. Understands who is responsible for everything done in the organization and confers with other managers and executives as needed.

20. Expected to ignore, not create, bureaucracy except as absolutely needed and circumvents it when needed to perform quickly

21. Anxious to take on new responsibilities, knows when to avoid this because of resource constraints, among other things.

22. Responsible for representing the company in a positive way to all employees and the outside world

23. Should develop his/her abilities to "sell" their ideas and the company both internally and to the outside world.

Additional Expectations of Executives

(Directors and Vice Presidents)

(Includes all of the above AND…)

Employees at this level can run a business, or division thereof, and be "managed by exception" (MBE), which requires infrequent intervention to test and calibrate goals with the company's CEO, Board of Directors or shareholders on major strategic goals and decisions (See article on Management Methods). Only one executive may be needed in smaller companies or those that do not seek high growth or those that have less than 20 employees. However, for a company to be truly successful on a large scale, it will need one "executive" level person in each key discipline that is required for the company to deliver its products or services to customers (i.e. sales, operations, customer service, and product development). Sometimes this is called the "3-legged stool," as they look for experts who have "done it all before" in sales, operations, and product development (or whichever areas are the critical success factors for that business):

1. Can oversee 1 to 10 managers and leverage their skills and knowledge with 50+ people.
2. Never lets others prevent personal and departmental goals from being achieved (proactive).
3. Proactive self-starter who identifies problems and implements solutions for those problems (in any area of the company) before they are a real issue for his/her area of responsibility.
4. Views the business broadly and understands the constraints placed on it by financial, personnel, management, industry, sales and other factors both inside and outside the organization.
5. Seeks to learn everything he/she needs to know without someone else suggesting it. Always on a self-improvement program.
6. Manages his/her superiors by keeping them well informed in advance of needs.
7. Responsible for the protection of all the company's interests within his/her scope.
8. Explores each and every option before making any major decision.
9. Tests new items and ideas on a smaller scale and takes reasonable risks, which can improve the business.
10. Comes up with larger scale ideas for the executive team to evaluate.

Winners expect to win in advance. Life is a self-fulfilling prophecy. A great pleasure in life is doing what people say you cannot do.

11. Is thinking two to three years in advance of the company's needs, and develops and revises these plans as necessary by maintaining a one to three year plan for his/her functional area.

12. Creates his/her own development by helping to grow the company and creating new responsibilities and new business opportunities.

13. Does what it takes to help others deliver on time.

14. Helps managers grow and develop their executive skills.

15. Averages 50 to 60 hour weeks, but will work 70 or 80 hours as needed (not all the time or even on site, but if and when necessary) to accomplish their goals and remove any growth restrictions for the business.

16. Looks for ways to save costs and improve productivity throughout the company.

17. Needs little direction other than the vision of the company and long-term strategic goals from the CEO and Board of Directors.

18. Proactive, not reactive. Manages risks through a regular plan to seek out and identify both risks and opportunities.

19. Has a strong legal, fiduciary responsibility and understands that, as an officer, he/she may bear some personal liability for their individual actions and those of the corporation.

20. Demonstrates ethics that put business interests before personal benefits in decisions that may result in personal impact or conflict of interest.

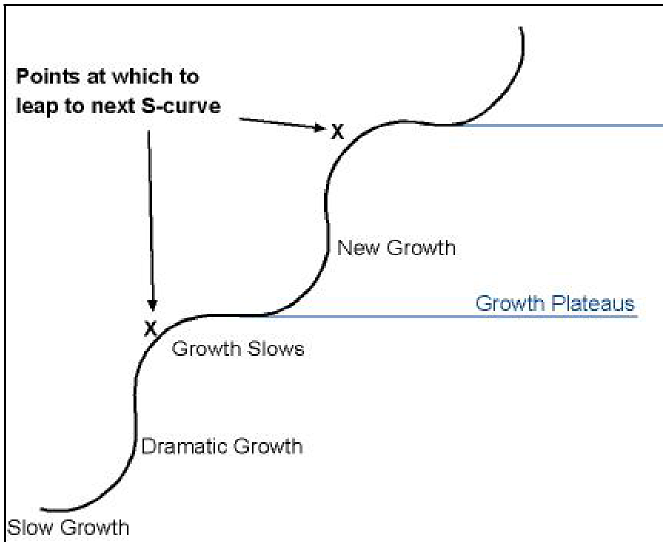
The man who believes he can do something is probably right, and so is the man who believes he can't.

When Do You Need A Vision Tune-up?

Every business needs a vision, some more complete and complex than others! Certainly a local dry-cleaner does not need to spend a lot of time on this, but most businesses that are large, or want to be, do need a complete corporate vision. If you have not read "The Eleven Elements of A Successful Vision" please do this now before continuing, as this is the definition of a vision I will be using here and it is far more complex than most people might think. In my view, a vision is really everything about the business, not just the product idea and its market, as many might define it. A vision must include the strategy and tactical levels of the five major disciplines (sales, finance, operations, product development and marketing).

Businesses go through many levels or plateaus as they grow and evolve. During different periods they may sprint or go sideways depending on many internal and external factors. Either way, you need to have a vision to use as the basis for most major decisions, but if you are going sideways, your vision is either wrong or incomplete. The diagram below shows the S-curve that can be viewed as a company's growth cycle, with each inflection the result of many factors including management's vision. Personal limits and many external economic and industry factors become apparent. You will need to revisit and tune-up your vision at least annually, but at each of the "X"s in the diagram below, this process needs to be repeated to address both internal and external changes. The changes may be at the macro level or even at the micro level that can be amplified over time to cause major problems.

When Do You Need A Vision Tune-up?



Defining A "Vision"

A vision is the <u>design of everything</u> needed for the business to work, <u>combined</u> with the <u>experience</u> to know it can really work that way in the real world.

So a vision is actually a very complex model that can be run in someone's head, which takes into account all the major business disciplines, and thousands of real world practical factors that are only available through experience. I think this is a pretty good working and practical definition of a vision, and there is no doubt that having one can greatly increase your chances of success.

The graph above can represent revenue, rate of growth or many other measures of success that are monitored by your company. Evolution and updates to the vision should happen at least annually, more frequent than that, would mean that the vision is not well-formed and may need a total reset with additional work and experience involved. New information comes in every day and a vision is a "living and breathing thing" which will undergo many small changes as this happens, but if you find yourself changing course in a big way daily, weekly or monthly your vision is not complete or needs more work upfront. You may want to bring in an expert to help who is objective, experienced and can help stabilize the vision.

Additionally, when you are not achieving key goals and metrics for the business, some analysis must be done on why not. A quick SWOT analysis may help identify problems or opportunities, as will a look at competitors and their market-share direction. If these do no reveal why you cannot achieve reasonable goals of growth then a complete assessment of the vision is in order. More often than not some part of that vision is not clicking and it is probably obvious in what area, sales being the most common and visible, of course, but this may not be the root cause. Product development, market positioning and other strategic-level factors are probably involved too. The good news is that when you look at this level there are many adjustments you can make to improve the business. The tricky part is making sure any change in one area of the business is followed up by a close look at how it will impact all the other departments. In larger businesses this is done through good communications and trusting in senior people to know what to do. Sometimes a formula for disaster, unfortunately! In medium to smaller businesses it is usually the responsibility of the CEO and the senior-management team to understand all the implications of the change and see that appropriate changes are made.

An annual process to review your vision is a must. It is also a must when major changes happen in the market, or when key competitors shift direction, especially if they are larger players with significant market-share. However, if your vision and strategy are right, you should be a leader, not a follower and these outside factors will have much less impact. This is because a vision should be looking out several years and understanding the direction the market is taking. As Wayne Gretzky once said, when asked why he was so much better than other hockey players, “Because I skate to where the puck will be, not where it is.” Anticipation can help in any endeavor. I am not saying major changes should happen each year; adjustments should be minor and always done in ‘real-time’ during the year when significant factors change. It is crucial to run this vision model in your head regularly and be able to recognize when factors should have an impact. This is more art and experience, than science and is something you can learn only by doing.

The Risk Assessment Landscape Map

A Method for Evaluating and Managing Risk

Risk is the possibility of suffering a loss, but it is NOT a binary thing.

All too often managers focus solely on the probability of a risk or problem happening and ignore far more important factors such as the cost of failure and the ability to actively manage each risk as more is learned. To properly manage a business, risks must be evaluated and monitored constantly. There is usually no progress without some risk. Steps can usually be taken to adjust the three main risk factors before and during any project. The three main factors that should be evaluated and tracked are: 1) The cost of a failure, 2) The probability of a failure and most importantly, 3) The controllability or ability to manage the risk. Each of these factors must be taken into account to properly manage any risk at the beginning of any project and each time major new pieces of information become available that impact those risks. Because human beings tend to be able to think in only three physical dimensions, in addition to time, it is important to clearly communicate to people who only spend a small fraction of the time you do on a subject by clearly showing complex concepts on two dimensional paper or slides. Sometimes very

Breaking through an invisible barrier -- that is caused by the speed of sound, cost many lives even though it could not be seen or felt until 760MPH was achieved.

complex concepts can be broken down into several layers or several two-dimensional diagrams, so that each accurately addresses two or three of the possible five or six dimensional problem. This allows people to both grasp and focus on certain issues. I have developed the following risk-assessment diagram specifically for this purpose. Used in conjunction with a Market Landscape Map, it can be a very powerful tool to evaluate a market-entry strategy, a new business opportunity, or even a business as a whole. I have used it to evaluate angel and venture capital investments and would never make one personally without going through this exercise today. What is important, although sometimes it is sometimes hard to do, is to develop it in the context of a very specific set of assumptions. For example, you must do this exercise for a specific product or service against a single vertical or niche-market, not against several, as the risks may be vastly

Someone once said: "Success is generated by the ability to fail faster than the competition." Any business is a learning experience and having the inherent ability to iterate through failures quickly, at low cost, and then tune your business, based on new knowledge is critical. Some people viewed Edison's 1,000 attempts to invent the light bulb as 1,000 failures. However, Edison, one of the most successful inventors of all time, viewed it as 1,000 <u>successful</u> experiments that eliminated possibilities on the road to one success.

different from niche to niche or market to market.

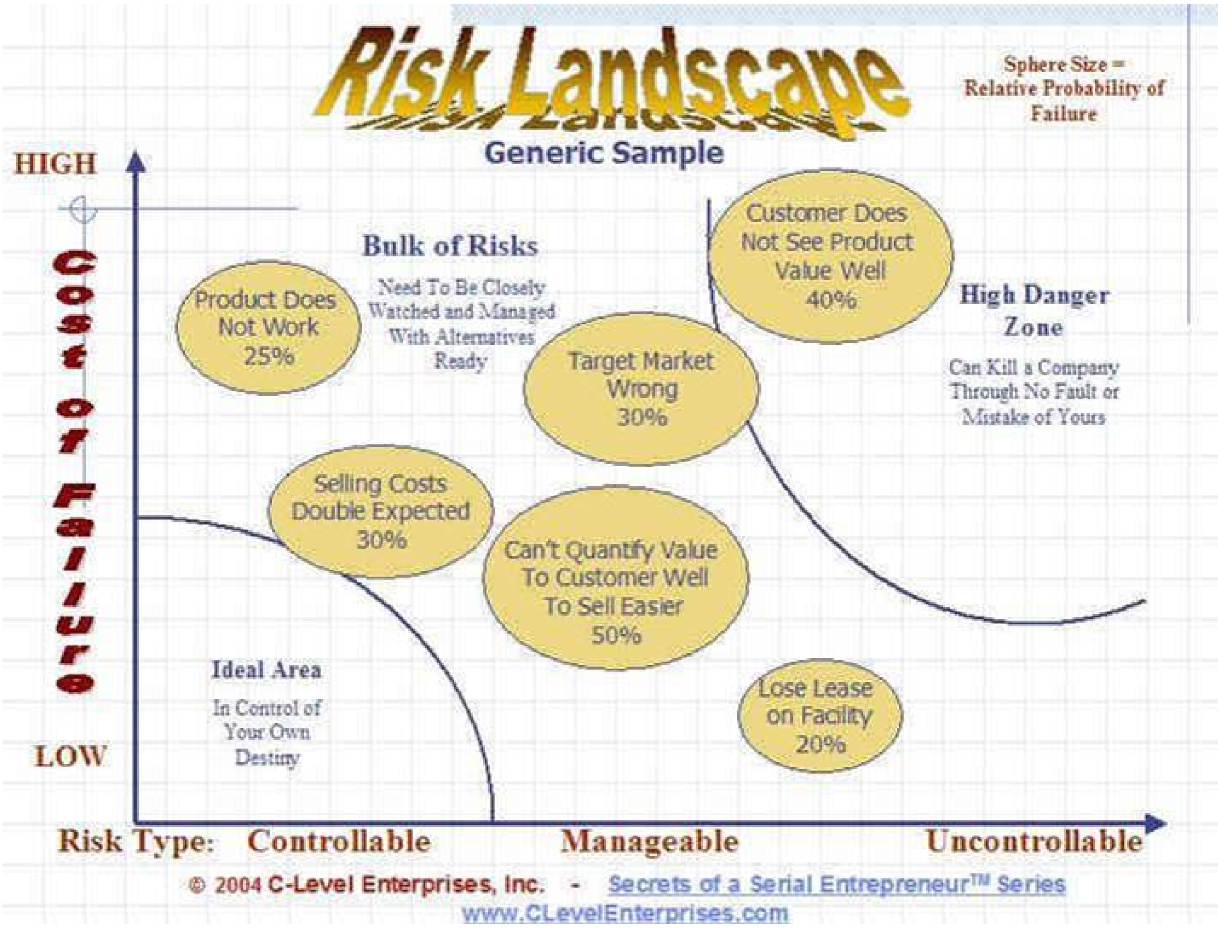
Frequently, identifying and managing risk is the major way in which a company can avoid disasters and achieve success. Larger risks can generate larger rewards, and can be taken when those risks are very manageable, or when the cost of failure is not too high. Larger risks can also be taken when these unknown factors will be revealed more quickly and the task can be abandoned earlier and at a low cost, based on certain risk milestones. Typically, young companies can alter course easily, while larger, more established companies often have too much momentum and overhead to be agile. Therefore, large companies need to look out in time further, and change course much sooner, effectively meaning they cannot take the kinds of risks that smaller companies can. This is a major advantage that early-stage companies must leverage. The diagram here is a great tool for assessing risks and watching them closely. It can be easily updated over time and will help people both understand and focus on the three major dimensions of risk, and not just the probability of failure because taking risks should not be viewed as just a binary yes or no decision. Expected milestones, or deflection points, can sometimes help limit the risk and allow you to take larger risks without necessarily incurring the full cost of failure.

In the case above, Mr. Norton (center) is checking his altitude indicator at about 10,000 feet and dropping at a terminal velocity of about 120 MPH. The risk taken here is literally death (somewhat high), but the risk management done by expert training drove the probability of failure very, very low. So it was lots of fun!

In other words, manage these risks closely as you learn more and make changes when new information becomes available. For this exercise to be useful, it must be done in the context of a set of specific assumptions that include both the current state of affairs and certain goals. For example, this chart can be used to assess each niche or vertical market that could be entered leveraging a particular new technology. However, the ability to identify these risks and to rate their probable failure costs and potential for success is an exercise that requires a lot of business experience and a good understanding of the market-space. Virtually everything has some probability of failure, and being blinded by pure self-confidence and passion, and drowning any feelings of risk is dangerous, so err on the side of listing every risk initially. You must brutally confront the facts and ignore all bravado and self-confidence when doing this exercise. Anything that is not 100% in your control is a potential risk. I do not recommend you rate every generic risk that every business has in a given situation, such as overall competitive risk (from everyone and anyone), raising capital, and losing key employees. These are known risks that everyone faces and must be managed every day, but are generally less controllable. However, competitive responses from specific and likely formidable competitors should be shown to help evaluate and tune the business model, product, or other factors. Tracking every generic risk will probably fog up your landscape map and take the focus off the important risks you can manage more closely and can have an impact on through business model changes.

I strongly recommend that every business undertake this exercise to evaluate any new investment or business opportunity. It should take only a couple of hours for a senior management team to complete this task and can be the difference between success and failure, as it provides the opportunity to tune your business. It is also a powerful tool to evaluate and communicate the risks of an entire business or investment. If all the risks are down in the lower left quadrant, this is probably a great investment (assuming the economics of the business will work), but if there are multiple risks that are in the top right quadrant then the business can fail no matter what management does. However, this process can often lead to changes in a business model that "design out" these risks and drive them down and to the left on the chart. This exercise in business design can greatly increase your chances of success long before an investment begins.

Diagram - Risk Assessment Landscape Map



Instructions for using this Risk Assessment Map chart. The four steps to risk assessment and management:

1. Make a complete list of all risks specific to your situation or business opportunity (the situation must be well defined and bounded).
2. Place a probability of failure on each risk from 5% to 99% in this list (this will determine the relative size of the risk bubble you will draw). This is best achieved through true brainstorming of all the possible risks listed initially. Then narrow the list to the biggest six to twelve risks to draw the risk map.

3. For each risk, select a location on the map based on the relative cost of failure (vertical) and its controllability by you (horizontal axis) and place a risk bubble on the chart of the appropriate (relative) size. You can put absolute dollars on the vertical axis, but I do not find it really matters that much.

4. Now you can generate some smart questions about how you could change the situation, or your business model, product or design, to pull these risks down and to the left to increase their controllability, reduce their probability of happening and/or reduce the cost and/or timeline of failure.

Real "out-of-the-box" thinking is required here, so an outside consultant can be very helpful and even going off site can stimulate more creativity.

> ***Like many valuable processes that are documented, this should be a living and breathing thing that is updated as circumstances change and more is learned. A bi-annual look at this is advisable, or whenever circumstances change.***

Like so many things, this exercise is useless without the right expertise and many years of appropriate experience in the room. This is a subjective exercise that must be based on real-world experience and in-depth knowledge of your business and market. Ideally all five key business disciplines should be represented. This might be five people with complementary skills, or just three, but it is not likely to be one or even two people. You also need to have the right research and information on the market or problem available, and it must be very well understood by your team. If you think there are fewer than half a dozen risks then you probably need to go back and do some more work, as not many businesses will have that small a list of risks. After deciding to move forward, you can assign each significant risk to a specific team-member to watch and manage and then revisit them as needed, or whenever new information becomes available.

Do not forget the "post sales" risks. Many companies think once they sell the product they are OK, but nothing could be further from the truth. Many products and services have risks. People may not use the product or service enough even after they have been paid for, or people do not get trained to use it well, or perhaps there is a lack of proof generated that the product or service provides value. Any of these factors can make getting the next sale impossible and references and testimonials are shut down. It is your responsibility to see that your product is used properly, and this must be planned, budgeted, and executed well for real growth and success.

Principles of Risk Management

Risk is the possibility of suffering loss.

Risk Management Paradigm

In a world where 90% of venture capital-backed businesses and as many as 70% of major information technology projects fail, managing risk must be a major job of the CEO and all management teams. Risk must be aggressively managed at all levels of the organization. Though the scope and cost will vary, employees need to be empowered to take risks. It is an integral part of constant improvement, for without improvement, any company will eventually die in today's fast changing world and economy. It follows, then, that taking risks must also be an acceptable part of any corporate culture, as there is no progress or reward without some amount of risk.

Risk is ALWAYS there and it can come from both known and unknown factors. It is impossible to bring risk to zero because the unknown factors, by definition, can never all be known, i.e., you can never prove that risk does not exist, just like you cannot prove any negative.

Known factors are the easiest to assess and manage and generally come from the following areas:

1. Your own staff and insuring their skills are at, above, or near the level of your competitors and the market, and there are not key or mass defections to competitors
2. Known competitors improving their products
3. New competitors entering your market

4. Failure of your product in various ways:
    a. Customer expectations
    b. Technical failure
    c. Integration failure
    d. Training failure
    e. Adoption failure (causes by improper access to some segment of users to train)
    f. Poor product ROI (real or perceived)
    g. Declining development productivity
    h. Inability to evolve product due to baggage and legacy issues (at customer sites or in the product)
    i. Poor sales model or one not adjusted to changing circumstances
5. A change in marketplace needs (disruptive technology or shift in customer desires)
6. Lack of customer-addiction (needing to constantly use your product is the long-term goal)

It is critical to view risk as a fluid and dynamic thing that must be managed, not as a binary "will or won't happen" thing." Early-stage companies must take, and aggressively manage, risk, as it is a key advantage they have due to lower costs of failure and the ability to adjust rapidly.

All those ways to fail and this is by no means a comprehensive list! Although there are many ways for your product to fail shown in 4 above, this is actually a better problem to have, because you have some control over the factors here. You can manage these risks more easily than outside factors. A typical risk management paradigm illustrates a set of functions that are identified as continuous activities through the life-cycle of a project.

Functions of Risk Management

Each risk goes through these functions sequentially, but the activity occurs continuously, concurrently (e.g., risks are tracked parallel to new risks are identified and analyzed), and iteratively (e.g., the mitigation plan for one risk may yield another risk).

Function	
	Search for and locate risks before they become problems.
Analyze	Transform risk data into decision-making information. Evaluate impact, probability, and timeframe, classify, and prioritize risks.
Plan	Translate risk information into decisions and mitigating actions (both present and future) and implement those actions.
Track	Monitor risk indicators and mitigation actions.
Control	Correct for deviations from the risk mitigation plans.
Communicate	Provide information and feedback internal and external to the project on the risk activities, current risks, and emerging risks. ***Note***: Communication happens throughout all the functions of risk management.

In a development project, the loss describes the impact to the project which could be in the form of diminished quality of the end-product, increased costs, delayed completion, or failure.

Risk vs. Opportunity

The author Robert Norton is in the center Managing this high risk with training and expert help.

Risk and opportunity go hand in hand. Many projects strive to advance current capabilities and achieve something that hasn't been done before. The opportunity for advancement cannot be achieved without taking risk. Risk in itself is not bad; risk is essential to progress, and failure is often a key part of learning. In fact, the best way to succeed is often to fail, more and faster. But we must learn to balance the possible negative consequences of risk against the potential benefits of its associated opportunity.

Risk Management is a practice with processes, methods, and tools for managing risks in any project. It provides a disciplined environment for proactive decision-making to:

- **Assess continuously what can go wrong (risks)**
- **Determine what risks are most important to deal with**
- **Implement strategies to deal with those risks, including your backup plan**
- **Teach all your managers to constantly look for the top few risks to monitor**

The continuous aspect of risk management is that it is always there and must be managed. There are seven principles which can help provide a framework for effective risk management and allow you to objectively assess how complete a view you have on each risk:

1. Global perspective (do not look only in your backyard for threats)

2. Forward-looking view (understand where the market is going, not just where it is)
3. Open communications - No one can see everything, communication within your team is essential
4. Integrated management - This can mean many things, but communication at all levels both vertically and horizontally is NOT optional
5. Continuous process - Always assessing and reassessing top risks as things change
6. Shared product vision - Vision is key (read more on vision)
7. Teamwork - A flat organization with EVERYONE talking is required

Summary

Risk management is one of the most important and most often ignored aspects of getting a new company or product to profitability. You must be honest with yourself about what factors are out of your control and how to manage them. You must also be willing and able to assess where you might be wrong in any of your premises that would impact the business and have an idea what you could do if each one proves true. This can range from assuming you can get a high price that proves unachievable, to not understanding the customer does not even want to use your product; for some very subtle reason that you only discover late in the game. Constant contact with customers is the best way to manage many risks. An advisory board of customers can be really helpful in this process too and is fairly cheap and easy to run.

It is too easy to get tunnel vision and "not see the forest for the trees." If you cannot be totally objective and most people cannot, then get outside help to assess business and market risks. This will easily pay dividends far beyond the cost. Although this may not be practical for small companies on an on-going basis, it is a great starting point to identify the key risks and begin an internal process to assess each risk that could literally destroy your business. Once these are identified, you can assign the task of monitoring and alleviating each risk to key executives as these may not fall along obvious departmental lines.

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Is Customer Service Dead or Just Dying? And The 8 Top Ways To Improve Customer Service

Satellite TV Hell – A Case Study of Very Poor Customer Service

Customer service seems to be going down the drain today at larger companies more often than not. It is difficult to have a remote customer experience or transaction of any kind with any significant sized company without one or more problems along the way. It is much less of a problem where there is face-to-face contact than it is on the phone, so I am confining this discussion to mostly telephone service issues.

Several companies come to mind that have a passionate customer focus and customer advocates at all levels throughout the company. At very high levels, it is easy to make decisions that impact service because you do not have any direct front line exposure. Customer-facing personnel must be involved in these decisions. Amazon.com is a great example that comes to mind, even though I have never talked to anyone there and get "email service." I have ordered hundreds of books and other items from them and never had one problem. Good service is designed into their business – It is priority number one! Sadly, Amazon is still the exception, not the rule, like in many other companies where cost cutting can be used as an excuse, however, it is far more expensive to deliver poor customer service than good customer service. It doesn't seem to be as obvious because sometimes the cost is hidden in lost customers and by those on the front lines who are happy to sweep problems under the rug.

> **"No problem can stand the assault of sustained thinking."**
>
> **-- Voltaire**

I recently wanted to add a second satellite receiver to my house and also upgrade to a high definition (HD) dish with a large, well-known company (who shall remain nameless) that provides satellite signals direct to your home TV. Although at the time I am writing about this, I have now spent over two and one half hours talking to people on the phone, and have been stood up three times in a row for scheduled installation appointments. This company does have growth problems, but more importantly it is obvious that they have customer service problems designed into their vendor contracts, procedures, and systems.

"Don't let what you cannot do interfere with what you can do."

- John Wooden

Just working out what I would get, because it did not fit exactly into their standard (computer menu) upgrade packages, was a major hassle. I wanted to do two (standard) things at once and that actually overloaded their ability to handle it! If I had to do it again, I think I would order each upgrade separately and make them take two trips so it fits into their standard offers.

What has happened to the days when the customer was always right and you never told the customer "no," you just gave them a price for any request? I think that in many cases freedom has been taken away from CSRs to deal with customers on an individual level. Large size does mean systems and standards, but it does not have to mean a total lack of flexibility. There are many good ways to balance these needs with good design of workflow and systems. Often the information technology people who designed in "no flexibility" are blamed, but ultimately management is always responsible because they accepted a design that did not meet all the customer and operational needs with some flexibility.

The man who believes he can do something is probably right, and so is the man who believes he can't.

There are certainly valid excuses for not making an appointment due to unexpected work, traffic, unavailability of parts and many other factors. However, when this happens three times in a row you know you have a serious customer service problem. I have now blocked off an entire half day to be home and rearranged my schedule to accommodate their requested installation schedule three different times. Luckily, I can work at home. Four days after the last appointment was not kept, I did not even get a call, never mind priority, to reschedule. You would think that in this day and age of technology someone's screen would start blinking red when a customer has been blown off three times in a row. This is how technology should be properly used. Sadly, their priorities seem to be misplaced. I can only surmise that they have decided not to care about the individual customer, as much as some mass of customer installations that are easy and quick.

When I called, the CSR wanted me to wait another 10 days for another appointment, starting the process all over again! Has someone done a "common-sense-ectomy" on these CSRs or have they been totally stripped of any authority to deal with real problems? **How can we possibly not be training CSRs and supervisors to accelerate to new levels when repeated problems are occurring for the same customer?** This is such a basic, simple, and effective concept. How can they not think that strike three is "you're out"? They must not have appropriate incentives and disincentives for either managers or individual CSRs. Or more likely, they have a temporary advantage in the market and are abusing the privilege. It will come back to haunt them for sure as new competitors like "Zoom" enter the market.

Appointment #4: Well about two weeks later a technician arrived. The first words out of his mouth were, "Let's see if we can even do this." Of course, I knew that attitude was doomed to failure! Basically, he said that he was afraid to climb up on my roof and that "some stupid kid" may be willing to do that for me. Needless to say, he did not even check to see if I could get a signal from the HD satellites, which I finally learned are lower on the horizon. How someone who refuses to climb on a roof gets a job installing satellite dishes is a total mystery to me.

> **"Being willing to change allows you to move from a point of view to a viewpoint – a higher, more expansive place, from which you can see both sides."**
>
> **-- Thomas Crum**

Appointment #5: Well, a very nice guy just left. He climbed up on the roof and came to the conclusion that I could not get an HD dish at this location. Wow, progress! He also said the work-order did not call for anything else so he could not substitute my existing dish for a new two-room dish, so I would have to call and reschedule. We spent some time on the phone with the satellite company with no progress there either. He called his office - same deal - waste of time and money.

“When you’re finished changing, you’re finished.”

-- Benjamin Franklin

Call #12: No option for my upgrade in the automated attendant - "Need Equipment Installed" - really seems pretty basic as a top-level menu item to me. When I finally got a person and explained the situation for the tenth time, she promised to transfer me to someone who could help. Guess what? I got dropped to a dial tone. Called back again! A very helpful older gentleman this time explained "my" problem was that the work-order only showed the HD upgrade and not the second-room installation, which I had already discussed in-depth with the first, second and third CSRs. So I scheduled the now sixth appointment for another eleven days out.

Well at visit number six, (think this problem is costing them any real money and customer good-will yet?) I finally got a service agent who was committed to succeeding in the installation process. Unfortunately, I think it was because he was here before and didn’t want to come back again. He got everything wired and ultimately found out that the wiring inside the walls in the new addition was shorted out. Since I didn’t want a black strip running across the back of my house, which is the only way they install coax runs, I decided to let him go and forget about it. I still don’t have a satellite hook-up in my addition today, but after all that, ultimately that is not their fault. Or is it?

Consistently Bad Service For Over 20 Years – Is It Possible?

This all reminded me of a local ice cream and restaurant chain that has had consistently bad service across all locations since I was literally a kid. Statistically, this cannot possibly be the result of anything but bad

The intelligent man finds almost everything ridiculous, the sensible man, hardly anything.

management and systems. Most restaurants have no problem training people to take your order within ten or fifteen minutes and then delivering the food to the table while it is still hot. Yet this particular restaurant chain has failed every single time I made the mistake of visiting their establishment, for the last 20 years! After all, there are not many excuses in terms of "layers of management and complexity" here like with the large satellite TV company. This chain has, for years, managed to beat the odds, and I will bet ten to one that if I go into any location at all, the service will be miserable. It may be failure in hiring, management training or simple procedures. I can only speculate as to what their problems are, but without a doubt, failure is somehow designed into their system and culture. They are missing a customer service culture that every company must have today.

Unfortunately, neither of these are by any means exceptional examples. Just last week I even had a printing company tell me I could not change or cancel my order after discovering a typo only a few minutes after the order was submitted. How totally absurd! Yet this CSR thought it was OK to recite a policy that "orders cannot be changed or canceled after submitted due to our automation." Can you believe that? AUTOMATION, as an excuse to print a defective order submitted minutes ago! Automation means there is a simple button to push somewhere in the software that purges the order and makes the customer happy with almost no effort so that they can submit the order again and give you business forever! Does anyone really accept this answer and attitude as an excuse? Someone must, if they use it. Poor training and management policies are certainly at the root of these problems. On the phone it can be worsened by information systems and routing systems that do not differentiate between new callers and repeat callers, and yet most companies have no problem getting a person on the phone for new sales.

Why Does This Happen?

Often transactions are designed with the employees in mind instead of the customer. Do you have someone who is supposed to play the customers' advocate in every meeting with these kinds of policy decisions? One bank I know makes 25,000 calls a month to customers to poll its customer-base about how it is doing. And they brag about doing this! To me this just means they must have never been able to get very good at what they do. This is an attempt to shortcut the filtering of information between customers and the executive-level by providing direct and independent information when you know you are screwing up. It is basically fixing the symptom and not the root problem. This company cannot possibly have a good customer service culture! That amount of money spent on improving the culture and systems would surely help fix the real problem of bad customer service, instead of just measuring it.

Customer service should be constantly evolving and improving with internal monitoring and feedback systems that are self-corrective. This might be a valid effort to keep the organization "flat and lean," but is probably overkill for most companies. Ironically, it is in fact a form of additional bureaucracy to avoid the problems of bureaucracy. Good information systems and watching and understanding key customer metrics like "time on hold," number of calls required to solve a problem and others, combined with management actually watching, hearing and participating in the customer service experience is a far better and cheaper solution. It makes it easy for larger organizations' managers to be layers away from their customers when they should always have some direct contact with them.

Certainly survival of the fittest will take over and put these companies out of business in time, but this does not seem to be a sufficient incentive to have lower level employees work on correcting the problems. The penalty is too distant and too detached from their job for them to see and understand that this may ultimately cost them their jobs.

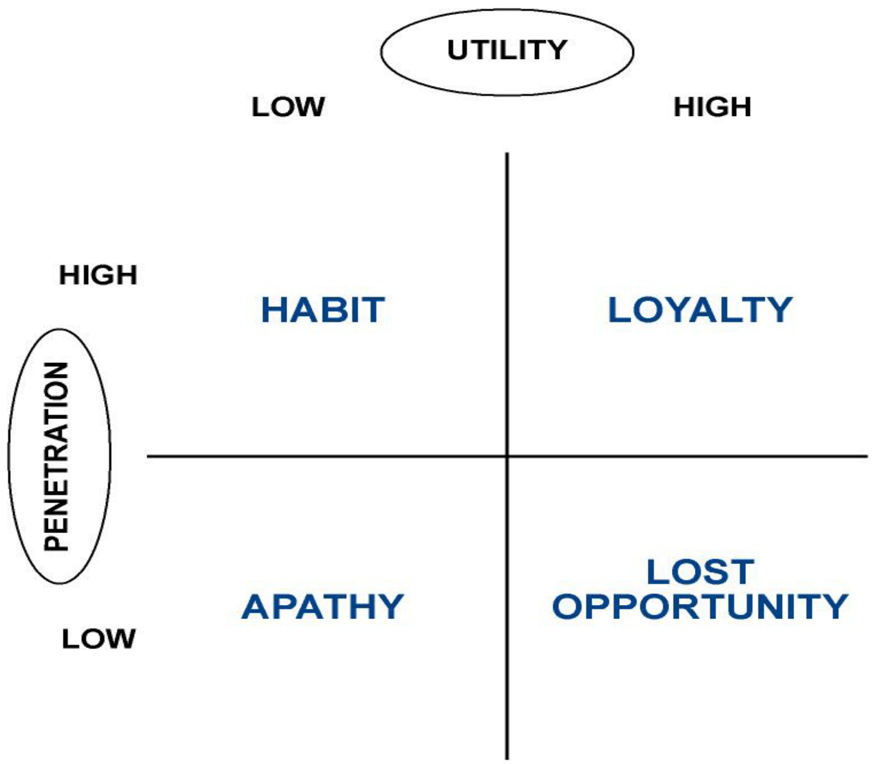
Is it possible that frontline employees do not care? Is it possible they are not providing input from the front lines to change these systems? Is it possible, or even likely, that this is management's problem and not theirs? I believe that almost any individual can be made to care and be effective in the workplace with proper systems, training, and motivation. However, if I am wrong, and the wrong person was hired, that is easy to fix and best for everyone in the long run. Of course that is easy to say and harder to do, but that's every manager's job: to protect everyone else's jobs in the longer-term. I believe when these things happen continuously, management must take 100% responsibility and more importantly action!

Is it possible that management does not know these things are occurring because they are isolated from the customer by far too many layers of other people and IT systems that do not measure the right things? Some direct bottom to top communication is pretty easy to carry out.

All Progress Is The Result Of Unreasonable Men.

Very often, a lack of competition is the driving factor. In the case of the satellite TV company, they had only one subcontractor, who was two states away from me to handle their installations. This is clearly a poor management decision that is even suspicious. Who would single-source a critical element of their business, including all actual face-to-face contact with the customer, to a single vendor without some control and monitoring? This just does not make any sense unless the brother-in-law of the president is running that subcontractor? Can this company really not be watching the average time to install, the number of rescheduled appointments, and other simple metrics that would show success, failure and trends?

Diagram – What Attitude Dominates Your Customer Base?



Another Way of Viewing Penetration and Value

Where Are Your Company's Customers Now?
Only in the top right "Loyalty" is a sustainable business,
everywhere else is living on borrowed time.

How Do You Prevent It From Happening At Your Company?

Does Anyone Know What's Going On Down There?

Good CEOs look for daily, weekly, and/or monthly metrics or "flash reports." This is the only way to know exactly what is happening to customers. Will they be thrust-off on another vendor or subcontractor before they could begin paying us for our services? How can any manager say they do not want to know that in good conscience? Is it even possible in this day and age that there are significant businesses out there that are not assessing critical measures of their own success and delivery? I guess no matter how unbelievable it is, it must be happening every day. Is it happening in your business without your knowledge? Below you will find the best ways to prevent falling into this slow death trap.

There is repetition everywhere, and nothing is found only once in the world.

Sure, these customer problems can happen occasionally, and at good companies, the customer might get an apology, a free month, and/or a basket of fruit for their trouble. However, the very fact that these things are happening on most transactions with companies tells me that management is losing touch with both customers and some of its basic principles.

I challenge any manager to make sure they use their own service anonymously on a regular basis (as a secret shopper) to experience what they have created. My guess is you will be shocked at the many layers of problems you will encounter. You will be surprised to see the problems created by automated attendants that route people in circles, poorly trained customer representatives, and badly designed policies and procedures that have somehow gotten out of step with the current world.

While this is not brain surgery, it does require a lot of blocking and tackling on a regular basis. This is basic execution and requires a certain personality-type, sometimes called a “beaver,” that does not get bored or constantly require new challenges. It is a fact too, that it is almost always cheaper to do “it” right than wrong, as errors are what drive up the expenses. If problems do not show in the actual customer service costs right away, they will become apparent in customer-attrition sooner or later, costing far more then.

Challenges can be stepping stones or stumbling blocks, depending upon how you view them.

Here is a simple list of things to do to improve your company’s customer service, which, after all, will ultimately define your company's destiny, for we are all literally nothing without happy customers. I guarantee doing these things will actually cut costs and increase revenue and profits.

Top Eight Ways To Improve Your Customer Service

1) Call your own CSRs anonymously and regularly with non-standard requests to see how they react and handle it. Benchmark their attitude, hold times, and other key metrics on these sample calls. Outsourcing this function is never as good because qualitative data is lost and the outside company cannot know your business well enough to add as many improvements in processes as you can. It takes some discipline, but it will pay big dividends. This is best assigned on a rotating basis to managers and executive-level people with the goal of a new round of improvement with each cycle. If you are not finding ways to improve each cycle through this process, you are not doing a sufficiently good job and need to dig deeper. Like jury duty, there might be a one-time excuse to skip it due to a busy schedule, but then no excuse is acceptable the second time around. Nothing is more important than customer service.

2) Define a "flash report" that is distributed daily to key management team members. Color code or highlight the problem areas, so it can be scanned easily and does not become a burden. Define acceptable ranges and goals of improvement for each number. To be treated seriously, people need to know that management is REALLY reading it daily, so feedback and questions are critical. It should contain the top 10-20 metrics that prove for

No one would talk much in society if they knew how often they misunderstood others.

certain that you are doing a good job with your customers. It cannot be activities only, but must be measured and should succeed. This report probably cannot be designed solely by the customer service people, as they will want to include metrics that are easy to make and hide behind. The CEO would be the best designer of this and should want to define what success is for the CS team.

3) The head of customer service should have a formal meeting each month to review the results and trends for that month with all supervisors. Senior CSRs should be allowed to represent their perspective and elaborate on why a problem occurred to get to the root issues. There should be a case study of a "new" problem which is passed down through the ranks, as everyone should learn the right way to handle it. Even in larger companies, the CEO or VP should show up occasionally so that people know this is a priority, and not just jawboning. This will allow sufficient resources to be allocated to correct problems and create feedback for other departments.

4) Ongoing training is essential! Data captured from all reports and meetings should be used as feedback into the training system. Monthly meetings with every single CSR to review the biggest problems of the month are crucial for sending the right message about how important quality is and for keeping CSRs current. This can actually result in a very positive experience for CSRs because they will have the opportunity to present a tough problem they solved and how they solved it as an example of best practices.

Importance

Things which matter most must never be at the mercy of things which matter least.

5) Automated attendants must be monitored closely and tested. Always allow people to get to a human being by pushing "0" at any time. Automated attendants rarely are programmed well. They almost always have ways to get stuck in

loops and many people hate them. Automated systems are designed to route problems to the right person, not solve them! There will always be problems that do not fit into the standard description and these people need to get through to the best CSRs, so as not to fall between the cracks.

Always have minimum performance standards for all key tasks. This applies to both field and office personnel. People who cannot reach these minimums should be warned and re-trained by the top people tagging along with them. Then if they cannot come up to standard, they must be replaced. You are doing them a favor, as they would be better off doing a good job somewhere else than a lousy job there. Any other action would send the wrong message to the good employees.

All truly wise thoughts have been thought already thousands of times; but to make them truly ours, we must think them over again honestly, till they take root in our personal experience.

Attitude towards customers is the key. For example, Southwest Airlines has kicked butt on larger rivals mainly due to their ability to hire friendly people who want to do a good job! They care about this so much that you don't get to a second interview without a great attitude and a big smile on your face. Do your employees look at customers as the problem, and not merely the source of their pay checks? The correct attitude must be projected by all senior management at all times. Sure, there can be an occasional joke about a real problem-customer you want to fire, but constantly discussing customers in a negative fashion is not acceptable and can even begin a long, slow death-spiral for a company. Nip that attitude in the bud right away.

Have procedures and systems to accelerate repeating problems to a higher level of service. This problem activity should be tracked on the flash-reports as a percentage of total calls with a goal of always improving the ratio. Customer service as a department only improves through constant training by the best people who are on the front line and

He who does not expect a million readers should not write a line.

are figuring out how to handle the new problems that crop up. It is necessary to do case-reviews of the situations for the more typical CSR who will not solve the problem creatively, but makes it the customer's problem due to their inability to go beyond "in-the-box thinking." Let's face it, if they were really creative people, they would probably not be CSRs in the first place; they would be doing something else that leveraged that creativity. These should be your best customer service people and field people. Have a priority system that always gets the toughest and rarest problems to your top people quickly, not after the customer is screaming.

You don't need a PhD to solve these problems. Just be sure to have a strong customer service focus, good attitude, and strong attention to detail. With the right cycle repeated each quarter or month, customer service will improve radically with just these simple steps. In the end, they will not cost money either, for they will drive revenue higher as customer attrition declines and positive word of mouth generates new business.

"Quality is never an accident; it is always the result of high intention, sincere effort, intelligent direction and skillful execution; it represents the wise choice of many alternatives."

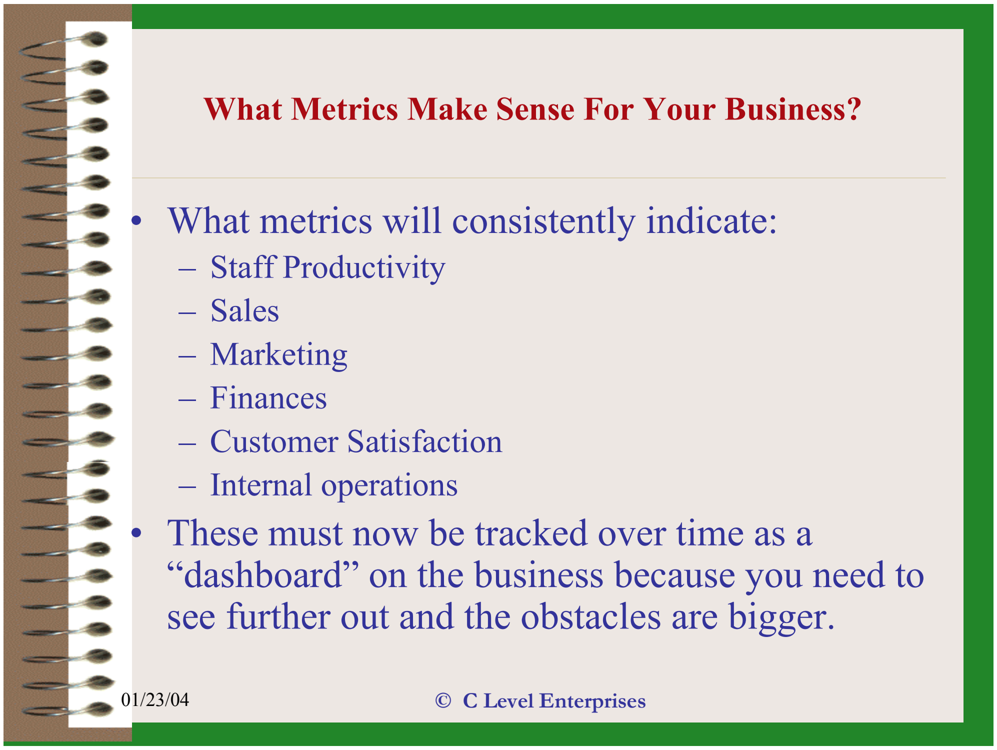
– Willa A. Foster

This stuff needs to be ingrained in the corporate culture, so get going today, because I guarantee this is costing any significant business many, many customers they are not even aware of.

Key Metrics, And Your Company's Dashboard

Simple measurement of the key indicators in your business is critical to having a learning organization that is aware of its own issues and can work to improve constantly. Without constant improvement your company is slowly dying, because others are moving forward without you.

Unfortunately, each business and industry should be monitoring different things and you need to figure out what those are yourself. These figures are often ratios and derivatives of basic, obvious measures. I highly recommend reading the book *Good To Great*, It is all about REALLY understanding what makes your business tick. It can literally take years to refine your model to the point of understanding what your business is doing by looking at one or two sheets of paper, but there are shortcuts if you have creative people with good business sense. And don't let any accountant convince you this is the balance sheet and P & L because they are to your company's pulse what a post-mortem report is to EKG. They measure history and have become so removed from reality to normalize results over long periods of time that they have become virtually useless as management tools except for investors. And as we know from Enron, WorldCom, and Tyco, they are also subject to huge subjective judgment and the ethics of the people who makes those decisions.



What follows is just a starting point for your company's dashboard. You can sit down with each department manager and figure out what the real measures of success are and what ratios will be the leading indicators of failure. There probably should not be more than five to six numbers per department. The human mind, for some reason, is limited to remembering seven numbers at any one time. So simpler is better. Simplicity creates focus on what is really important.

Chart –The Corporate Dashboard Starting Point

Metrics – We Can Only Improve and Project What We Can Measure

	Daily	Weekly	Monthly	Quarterly	Annual
Sales					
CS/Ops					
Product Dev.					
Marketing					
Finance					
HR					
Other					

Flash Report - Daily measurement sends a daily message this is a something we (all should) care about

01/23/04

The "Skill Set Matrix"

The "Skill Set Matrix" is a tool for evaluating your company's human depth and for hiring and planning the skills needed to move your company forward. This is adapted from a presentation speech Mr. Norton gives to help CEOs, entrepreneurs, and senior executives design companies for more rapid growth and success.

Common Bubble Phenomenon

1. VCs hire VPs from large successful companies as raw startup CEOs
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 and quickly spend the entire amount (much on "infrastructure" just like at their previous large company) without creating any real value
4. They do not understand how to run a "Stage 1" company

Experience and Skills Are Very "Stage Dependent"

1. Understanding the HUGE difference between skills 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. Yet many do not recognize the "stage" levels of experience and skills needed by the different people
4. Paying close attention to this dimension can be a huge competitive advantage for any company

So How Do We Address This At a More Granular & Practical Level?

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 factor
5. Understand personality types appropriate for certain needs

"Depth" Of Experience (row)

- In many functional areas it is important to have someone who "came up through the ranks"
- Especially in product development, sales and operations, ideally VPs should have done the job at some point in their career
  - I.e. I personally would never hire a VP of Engineering for a software team who did not start as a programmer. – The engineers would eat them for lunch on issue after issue – snowing them with crap they do not understand. Nor would I hire a project manager who did not deeply understand that discipline and have first hand experience. This happens every day though with people saying management of the project requires "project management skills," not the discipline being managed. I respectfully disagree and think this adds layer, not value.
- This can be backfilled, but an organically grown person is generally a superior choice

Rounding Out The Team

- Can you truthfully fill in a name of someone in your organization with 3-5 years experience in every cell?
- If not where will you get that skill set?
  - Board, BOA OK for approval only, not design or management
  - Contractor/temp/Consultant OK for plan and strategize (Can be better and deeper but need real-world exp. Not just consulting)
  - Management and lower level must be filled in with FT people or contractors
    - You MUST hire or proactively train/backfill if that person can grow and is self-actualized

Exceptions

- Any paradigm shift in the business model can make ZERO experience in that industry a plus because untraining is often harder than training new people.
- Growing your own people at the "execute" level can be a good strategy in many cases when this can be done cheaply. This can cause greater loyalty, flexibility, and be a cost advantage.
  - I.e. New grads that are smart and up and coming people in a startup can grow fast with the company and perform jobs much better than "seasoned" people at higher pay scales in customer service, operations, and other disciplines not requiring many years to master.

The CEO is Also By Nature An Exception

- Breadth is the advantage here, not depth
  - Depth can be important if there is a particularly large challenge in that area
- The CEO needs some experience across all disciplines for the plan, strategy, and oversea columns
- Ideally they should know 50% of what each of the VPs knows about their discipline

Notes on Customizing Internal Skill Set Matrix

- There should be FIVE different levels of this sheet on the 3rd dimension for the five stage of corporate development: 1. Startup, 2. Early Revenue, 3. Established Customer Base, 4. Expansion/Growth, 5. Mature/Large
- Typically you only need to consider 2 or 3 layers for the stage your company is at today.
- One sheet can be used for selecting key management team members to limit risk and improve selection, but in fast growth situations you should be "overhiring" to a stage or maybe two in advance, never more.
- Most individuals will only be able to cover one discipline (row) and a couple levels of depth (company stage), without awareness, help and training. Never do a startup without the majority of management having startup experience, even failed startup experience is better than exp. in only a mature company.

Our Senior Management Team

Generic Skills Set Matrix - External
For Company Financing Presentations

Team Member	Startup	Industry Experience	High Growth	IPO	Domain
John Smith, CEO	5+ years	1+ years	3 Cos.	Yes	Sales: 21
VP PD/Eng/CTO	3+ yrs	0+ yrs	1+ yrs	NA	Eng: 23
VP Sales	5+ yrs	0-3 yrs	3+ yrs	?	Sales: 16 Mkting: 6?
VP Ops	10+ yrs	3+ yrs	3+ yrs	Yes	Cust. Service: 14
VP Finance (PT)	4+ yrs	1+ yrs	1+ yrs	Yes	Actng: 12

Figures shown here represent good minimums for many companies, but others on team can sometimes compensate to some degree, especially for industry/domain exp. In many cases this is for both at that stage and in that discipline.

Notes on Customizing External

- Column headings here are generic and should be specific to the business's 1 to 3 year challenges to show management's depth here.
- If the number of years is not on average > 5 use check marks, avoid entirely, and consider adding to your team, as the years will be unimpressive and your risk is much higher.

Profit and grow by understanding the skills you need and the people and depth you have, especially in management.

The Eleven Required Elements of a Successful Vision

What is a Vision?

There is a lot of talk about creating and maintaining a vision, especially as part of a CEO's job. In my opinion, "vision" is a term that is both greatly overused as well as largely misunderstood. Many people consider vision to be an all-encompassing view of the product or service, while others expand its meaning to include the entire market, and still others believe the term encompasses far more.

**What is a "Vision"?
Why do you <u>NEED</u> one?**

**How do you use it?
How do you know
it is complete?**

Having been personally responsible for a corporation's vision for many years, I believe it covers more than what most people think. So, what follows is my definition of vision, and I do not understate the case when I say that, with few exceptions, the lack of a strong vision puts you at a distinct competitive disadvantage.

To begin with, I believe a vision must encompass everything about the business. This includes everything from things as high-level and broad as the organizational chart, right down to details like basic product functionality. It also includes both the strategic and tactical levels of every discipline required to run the business. A vision must include both these levels for every function *vis-à-vis* finance, sales, marketing, operations and product development. Each variable must be imagined over time as a series because many will change rapidly. Does this sound like a mind-blowing exercise? Yes, it does! Thankfully, since our brains are wired to think visually, and are the most powerful computers on earth, this task is well within most people's intellectual capacity if they have the experience and information. The biggest issue is that most people don't have all the needed information or expertise to

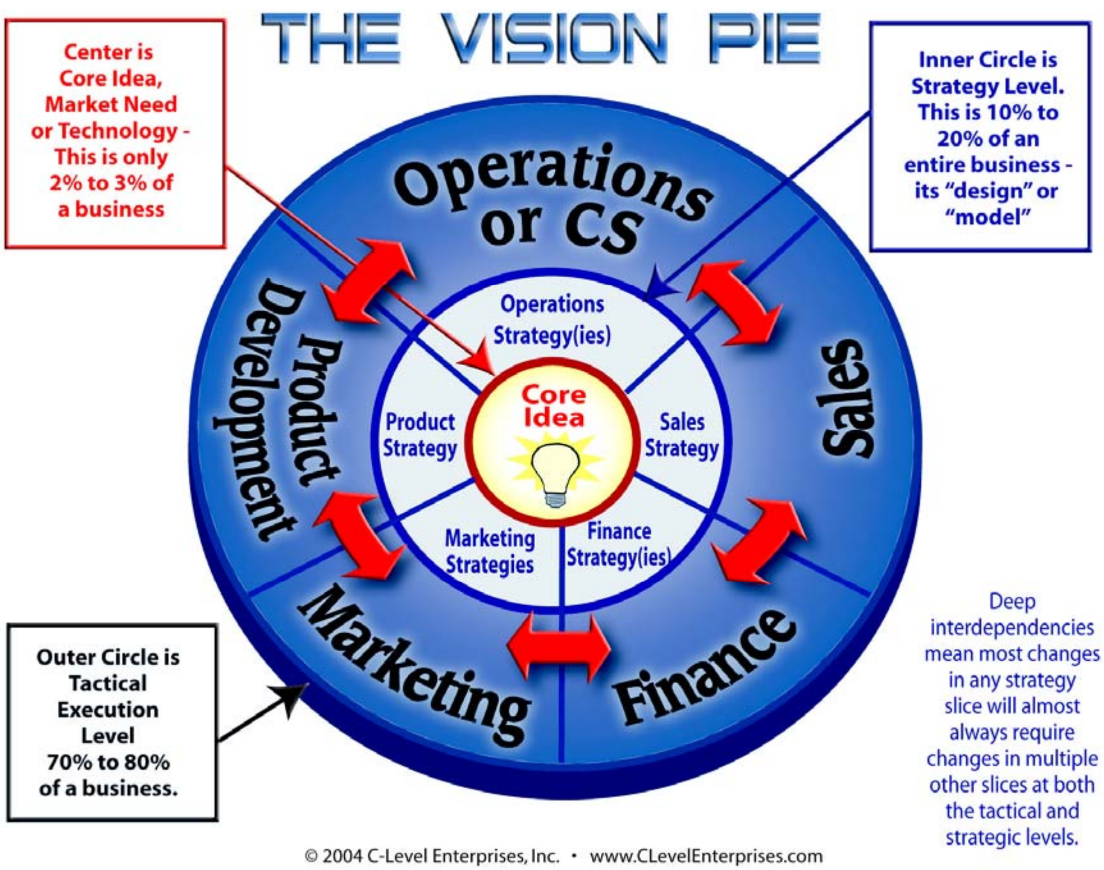
"Genius is one percent inspiration and ninety-nine percent perspiration." So is developing a vision.

understand and design these business models. This is real work, not magic, luck, or the flash of insight that may have been the genesis of a product's unique abilities. As Thomas Edison said, "Genius is one percent inspiration and ninety-nine percent perspiration." The exercise of writing a business plan generally fills in much of the vision and is worth the effort even if you throw the plan in the trash when you are done. It can allow the merger of different skill-sets to happen. However, this is not the same as having the experience in one's head, which forces greater discipline and integration and allows the model to be "run" in the visionary's head.

"Teamwork is the ability to work together toward a common vision. The ability to direct individual accomplishments towards organizational objectives. It is the fuel that allows common people to attain uncommon results."

Why, you ask, must a vision be so elaborate? Because the purpose of a vision is to have something complete, and against which you can hold up all major business decisions. It is almost a philosophy for the company to live by. This helps ensure consistency across departmental goals and helps eliminate other major factors that can split a business into fractional pieces, such as two departments going after different objectives and effectively dividing your resources across these objectives or even markets.

Diagram - The Vision Pie



Let us take a look at an example, Leslie Wexler of The Limited, one of the most successful retailers of all time. Leslie uses "Victoria" of Victoria's Secret's fame as a big part of his vision. "Victoria" is a fictional female customer who is willing to wear the clothes that go into the Victoria Secret catalog. She is just a figment of his imagination. If Leslie can't picture Victoria wearing a piece of clothing then it doesn't go into the catalog. This is his way of testing their market position, and includes factors such as fashion/style and price. To me, this is a simple example of a "customer vision," a tool for selecting your products and market position. This makes up just one piece of one slice of the

> **"It is the function of creative man to perceive and to connect the seemingly unconnected."**
> **-- William Plomer**

vision pie as the "Product Development" filter or market position. While this piece might overflow onto the "marketing" slice, it is by no means a complete corporate vision.

What are the Other Slices of the Vision Pie?

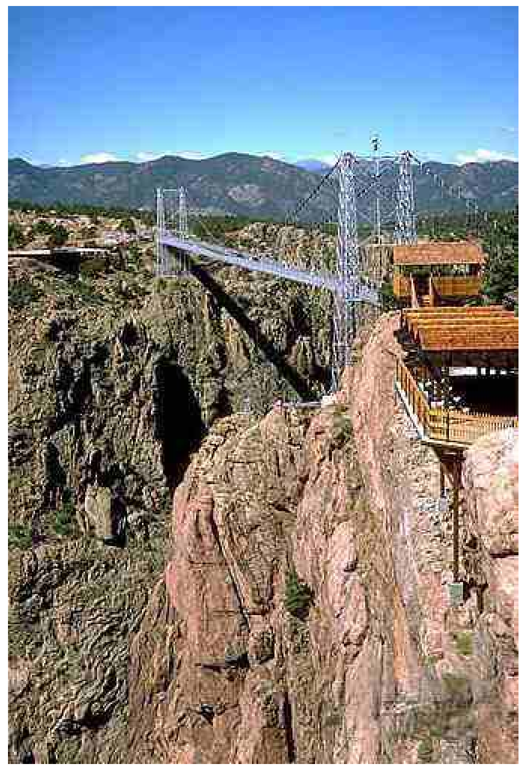
Well, each major function (or department) that is required to create a business makes up a slice of the pie. For example, a typical company would include the following vision slices:

1) Sales - Target customer, pricing, sales and distribution models, strategies and tactics.
2) Marketing - All sales-lead generation functions and activities designed to educate consumers and position the company, competitive intelligence and market positioning strategy.
3) Finance - All sources and uses of capital, all systems to manage and project it, all accounting functions to track expenses and revenues.
4) Product Development (R & D) - Idea generation, architecture, design, development, testing, and quality assurance. Each of these is a process that evolves over time, not just an idea.
5) Customer Service - The service model (i.e. team or individual), CRM or Operations.

> **"To be successful you've got to have a dream, a vision, a burning passion, a magnificent obsession."**
>
> **"This dream, goal, obsession has to become your prime motivator."**
>
> **"It takes enthusiasm, commitment, pride, a willingness to work hard, a willingness to go the extra mile, a willingness to do whatever has to be done in order to get the job done."**
>
> **-- Jeffrey J. Mayer**

Many young companies have a good product-vision that stems from the technical founders who often see a need and understand how to fill it. However, most of these founders lack experience in the other "business" areas needed to turn a "product only vision" into a viable business. They see the market-need and the solution, but require help to build an organization that can deliver the product to the market, which is a much more complex endeavor involving many disciplines. Getting any one of these slices wrong is often fatal to a company.

Hopefully, you get the point. There are usually five major slices with two parts to each (the strategic and tactical levels). Vision is everything needed to make the company work across all these functions. And remember that it must also be a series of these snapshots over time for planning and growth purposes, as it must evolve slowly, not make big leaps. I would recommend corporate snapshots for today, one year out, two years out, three years out and even five years out. The further out your vision is, the less detail you will need to have because many things will change over time and because you only need to understand and plan the details for each year.



Wayne Gretzky, when asked why he was such a superior hockey player, responded: "Because I go where the puck will be, not where it is."

Of course, the financial plan slice should include each month or quarter in great detail for year one and two, but it is generally a total waste of time to do more than annual numbers for years three and beyond, as experience and circumstances will modify these for sure. Sometimes financial people will run numbers over and over again in great detail for five years out. This is basically just plain silly and a waste of effort and time at a certain point. I call it being "perfectly incorrect." All these models will be very wrong. GUARANTEED! The idea is to iterate them closer and closer to reality as you gain more

Every great accomplishment starts as only a vision in a single mind, which then spreads to others through passionate communication until many are working towards a single complex goal.

data and experience. The goal of a financial model is to simulate, project, and plan. In addition, that simulation must be updated as you go. If you have to adjust your pricing by even 15%, then every previous version of that model is instantly obsolete. This is just another slice that focuses on financial specifics and tries to show that the business can be profitable at some time in the future.

So how do you design, develop, and communicate such a complex beast? Well, it could be one of the most challenging exercises in the gray matter of your cerebral cortex. We all have exceptional capacity to think visually and generally that is how a vision is best evolved. A framework of experience is needed in each discipline. Without it, you cannot really validate the model without VERY expensive real life trial and error. Most entrepreneurs make the mistake of learning it on their own through expensive trial and error when they could save hundreds of thousands of dollars, even millions, by involving someone with the right experience. Many visions are "un-executable." This means that they are doomed to fail from day one because of something the entrepreneur does not yet know, or has not recognized due to lack of experience. It is pretty easy to visualize something that may never work. Let's face it, venture capitalists, who are generally smart, educated professionals, do it every day by investing the bulk of their dollars (60% to 90%) in businesses that will never work! The fact is there are way too many variables for anyone to really know something will work well unless they have experience in all the required disciplines.

We never plan to fail, only fail to plan.

Any Vision Must Evolve With Time

Now let's think about a series of these vision pies over time to create a stack of them with a pie for each of the following three to five years (see below). With each additional year, the vision will contain less detail and the current probability of being right diminishes greatly. This is what I call the "Vision Cone."

Every vision needs actual validation in the real world for virtually all it elements. Certainly, the ones that have not been done EXACTLY that way before, and have not had great success, are a significant risk and deserve special testing in ways that will not disrupt the business if they fail. This testing is known as actively managing the risks, something any CEO should be doing. I have a separate system on this later.

> **"Genius is the ability to reduce the complicated to the simple."**
> **-- C. W. Ceran**

Most venture capitalists insist on a "seasoned" CEO at the helm of a new company; someone who, based on many years of experience, can actually run these "vision simulations" or business models in their head.

Many things can cause a business to fail. Even small things that fail to work because of typical personality types in certain jobs can delay or prevent a business from being successful. Only a significant amount of real-world experience can reduce this risk.

A Personal Vision is much simpler and very different from a corporate vision. Corporate visions require many moving parts, many people and many areas of expertise.

Developing a Personal Vision:

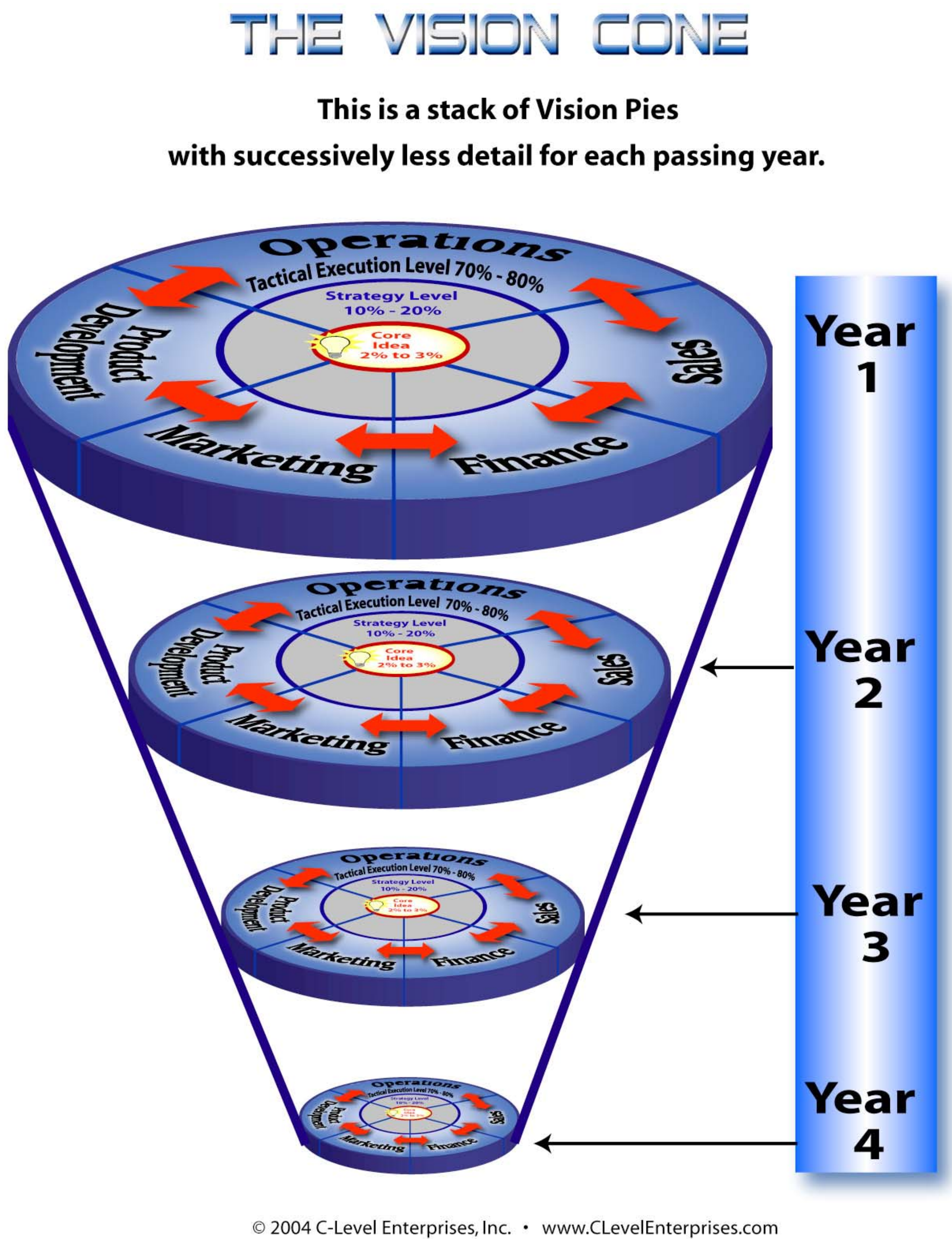
1. Vision: What you want most for your life (a dream made real)
2. Mission statement: A description of how you attain your vision
3. Goals:
   a. Definite statement of exactly what you desire
   b. Written in the present tense
   c. Measurable (i.e., there is an objective way to determine you have met it)

How Do You Practically Implement a Vision?

Unfortunately, it is impractical to expect every department-head to understand the entire vision. As a matter of fact, it is virtually impossible because it is likely that they do not understand the other disciplines well enough, or have enough access to information. However, a good CEO makes sure each department-head has a complete understanding of their slice of the vision and how it is phased in properly over time with the other departments. This can sometimes be done by creating interlocking goals or end dates that are one or more quarters away. For example, customer-service will hire a new manager when sales hit 20 new customers.

A vision is important because it is what unifies all of the resources on a single "objective," which ultimately is a single position in the marketplace. This position must include virtually all product-factors recognizable by a sophisticated buyer in the market, as well as all the variables that make up the complex structure of the organization to create, deliver, and service that product.

Diagram - The Vision Cone



Each day, a CEO will use the vision to measure decisions against, each day the VP of Engineering should be making decisions consistent with his or her slice of the vision, and each day all key management players should be doing the same. If you have someone measuring their daily decisions against their modus operandi at a former company, or just their favorite way of doing things, then odds are you have a personnel problem that needs to be addressed. This is a common problem because human nature dictates that we do things the way we always have (the easiest way) as opposed to really thinking about how this situation may be different.

An important thing to remember is that without the right experience, from every discipline in the room, and all the right market- research, it is impossible to define a real vision.
Most companies, in fact, do not have a full vision, or anything near it, though they will claim they do.

In my experience, it takes a new CEO four to eight weeks of full-time work to develop a complete vision for the company. This will vary greatly, depending on the complexity of the company, market, and product involved. Vision development must include time spent with customers, time spent with all key employees, and lots of research to validate the theories that are being used to make decisions.

How Can a Vision Be Communicated?

One of the CEO's most important roles is to communicate the vision to management and employees and yet be open enough to the possibly superior experience of others in a specific area to modify it as they learn more. We can debate how much of this vision investors and customers need to know, as this will vary greatly from time to time, and by industry and competitive environment, but the employees need to understand those parts of the vision that affect their jobs. At a minimum, they need to know at least enough to make day-to-day decisions that are consistent with that vision.

> **"Things may come to those who wait, but only the things left by those who hustle."**
>
> **--Abraham Lincoln**

When a CEO actually communicates his vision, it must be tuned to the particular audience and their ability to understand that vision. The broader the audience, the more simply the vision must be presented. The simplest example is the mission statement, or "elevator pitch." The mission statement is simply a vision that is distilled down to the simplest and most understandable end result or objective. For example:

"Widgets Software will be the best software component maker for software development tools used in the development of video-on-demand products."

This is a simple statement! It is easy for anyone in any department to understand, but it obviously implies a huge number of moving parts in many departments and disciplines. It clearly communicates that Widgets Software is NOT in the media content or entertainment business, nor the application business, but in the development tool business. These would all be very different business models needing very different organizations and visions. It should prevent people from investing resources in things that might make more sense for these other business models.

> **Our work is the presentation of our capabilities.**

In high-level staff meetings where all senior management is present, this vision can be explained in much more detail because you can assume the audience knows a lot more about the basis for the vision and has more experience. During one-on-one meetings with experts in certain areas, you can drill down on this vision to great detail, talking in shorthand and using diagrams about specific attributes as they evolve over time (i.e. people, capital budgets, other resources).

In my opinion, the greater the ability the CEO has to develop this internal vision in his own mind, the greater the chance of success for the business. However, quality teams can develop a vision too; it just takes a lot more work and discipline, but is often necessary in larger companies. The vision essentially creates a philosophy for the business to run by, which helps to insure minimum waste, maximum impact, and ensures convergence on the goal (a market position) by all the troops at the same time. Having them all arrive at the goal at different times is usually a problem and a topic for another day.

Commitment

Until one is committed, there is hesitancy, the chance to draw back, and always - ineffectiveness. Concerning all acts of initiative and creation, there is one elementary truth, the ignorance of which kills countless ideas and splendid plans; that the moment one definitely commits oneself, then providence moves too. All sorts of things occur to help one that would never otherwise have occurred. A whole stream of events issue from the decision, raising in one's favor all manner of unforeseen incidents, meetings and material assistance which no man could have dreamed would have come his way. Whatever you can do or dream, you can begin it. Boldness has genius, power, and

A well-developed vision is a combination of lots of experience, thought, research and understanding of customer-needs, all unified in ONE PERSON'S head. This is then run as a model against a backdrop of operations and experiences to verify, as much as possible, what can really work in the real world. Hopefully, this can all be done at a cost that is some margin above what customers are willing to pay to make the business economically viable.

Dream no small dreams for they have no power to move the hearts of men.

In conclusion, a vision is the design of everything needed for the business to work, combined with the experience to know it can really work that way in the real world. A vision is essentially a mental simulation. So a vision is actually a very complex model that can be run in someone's head, which takes into account all the major business disciplines, and thousands of real-world practical factors that are only available through long experience. I think this is a pretty good working and practical definition of a vision, and there is no doubt that having one can greatly increase your chances of success.

Sales Management Tips

by Suzanne Paling, Sales Management Services

Announcing Quota and Compensation Plan Changes

A client asks, "I have set my salespeople's goals and created a new compensation plan for 2005, but there are some significant changes to both and I am concerned about the reaction from the sales staff. How should I handle this situation?"

Issuing sales quotas and unveiling a new compensation plan is tricky. You say you are concerned, which implies that you think your salespeople will not universally regard the new plan as positive.

I will assume that you have a sensible and fair new plan with sound business reasons behind it. Typically, reactions by salespeople may reflect concerns that they may make less money or that they may have to work harder. Some individuals may have to sell more of a product they don't particularly enjoy selling. Others may look for loopholes thinking "the company" is purposefully trying to under-compensate them. Given all this, the best approach is to roll out the new plan in a way that gives the salespeople time to think about it before reacting.

Present the New Plan to the Team

At the end of a regular sales staff meeting, hand out the new sales goals and compensation plan. Ask the group to save any questions they may have for the moment. Present the more important changes and discuss why you made them. Be positive in your presentation, but don't oversell the plan.

After you finish, tell the sales representatives that you understand they have questions, but that you would like them to study the plan first. Ask them to sign up for individual meetings with you that will take place in a few days. Assure them that after you have met with everyone, there will be another group meeting.

Some sales representatives will try and ask questions right then and there, while others will insist they need to meet with you immediately. Don't be intimidated. Stick with your plan.

Hold Individual Meetings

There will be a lot of talk amongst the sales representatives before the individual meetings begin. That's OK. During the individual meetings, take careful notes about their various issues with or questions about the plan. Look for patterns. Think about and make adjustments where necessary.

Meet Again As a Group

At the second meeting, discuss what was brought up in the individual meetings and publicly thank those who may have pointed out an error or persuaded you to make a change. If unpopular parts of the plan remain (and there always will be some), explain why you will not be changing them. Answer any and all questions that come up.

This approach may seem overly structured. But think about it this way: the sales representatives owe you the courtesy of looking at the new plan thoroughly before criticizing it or demanding that changes be made. By meeting with everyone individually, you will get feedback from all the sales representatives, not just the most vocal ones. In the end, this will lead to more buy-in for the new plan, which is ultimately what you want.

To contact Suzanne M. Paling can be found at: www.salesmanagementservices.com

Overloaded? Lead Your Way Out!

Are you starting the new year *over*-extended, *over*-committed, *over*whelmed and *over*-stressed in your business? Maybe you suffer from being *under*-leveraged as a leader!

"Too much to do and not enough time" is a common mantra for most business owners. Too many demands and expectations from customers, employees, vendors (even consultants), not to mention your own family (who want a piece of your time), can throw off kilter your well-intentioned New Year's business resolutions (those important "to-do's" you promised yourself in December to get to in January).

Here are some thoughts to leverage yourself better (using yourself to your utmost capability, and better working through and with others) during those high-demand and high "to-do" times, like right now.

1. **Share the "water carrying."** Does your business load rest just on your shoulders for you to carry alone, while everyone else is watching or waiting for you? If so, then you are setting the wrong expectation for those around you. You will never get out from under your pile. State clearly what you expect from whom, and reinforce the benefits for others to do their part to move the business forward. *Note: If you have the wrong people around you, then change them as quickly as you possibly can. They can drag you and your organization down rather than bring you up to the heights you seek and deserve.*

2. **Make your conversations more candid and crisp.** Stop "beating around the bush" with people. Get to the point more quickly and encourage others to do the same with you. You can still demonstrate caring and respect while getting quickly to the heart of a matter. Learning this skill can yield much saved time through more effective and efficient conversations. Also, try standing up during meetings. It can make day-to-day conversations go much faster.

3. **Move others to bring forth their best** (or point out how they are being less than they could be). Some people are inspired by a vision of what is possible, while others need a "wake-up call" (i.e., to be woken up to their capability and potential contribution). Employ both ends of this spectrum in order to move the people around you to take on greater ownership and responsibility.

4. **Focus on what is really most important.** Are you clear as to your most important concerns? Stop for a moment and list your ten *most important* priorities (or make two lists in order to separate business and personal objectives). Then do not leave work today until you have made some progress on at least the top two items on your list. Often, some of the other listed priorities will magically disappear when you have tackled the top two. Do this every day and watch your major accomplishments grow.

5. **Install and utilize standardized practices.** If you experience nagging business issues that continually reoccur, then that usually points to an insufficient understanding of that issue. Also, you may lack a practical or consistent policy, procedure or system to resolve it. Look at the recurring issues in your world and do what is needed from you to set those issues straight or to make them effectively disappear.

6. **Focus on what you do best.** Are you personally doing things that really do not fit with your best talents, resources and capabilities? The best business leaders know how to utilize their strengths while divesting themselves of what could be better done by others. Look at what you do not like to do, or are not good at, and assign that responsibility to someone more appropriate. Yet, also set up a check-in system to ensure that things delegated stay on track.

7. **Take the time to reflect and think things out.** If your behavior is constantly *"Do! Do! Do!"*, then you are locked into responding to the immediate and urgent, and not focusing on what is really important. The most effective people (such as any sports team) take the occasional "time out" to regroup, re-prioritize and re-

strategize. This way they have a better chance to tackle the situations they face with heightened insight, better actions and greater gusto.

By leveraging yourself in the above ways, you can lead yourself out of being overloaded. It takes a conscious effort to slow down in order to clear your head and act on the ideas above. Yet the payoff is to be more effective in your business and professional interactions.

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Giving Toothless Boards Some Bite

Most directors are stuck in a system that makes it tough for them to protect shareholder interests. Author Peter Cohan offers two solutions.

The possibility of directors paying out of their own pockets for corporate misconduct occurring under their watch has been raised by three recent cases. In January, 18 Enron directors agreed to pay $168 million – 10 of them spent $13 million of their own money – to settle their portions of securities class-action suits. In February, a deal fell apart that would have had 10 former WorldCom directors settling shareholder lawsuits by paying a total of $54 million – $18 million from their own pockets, representing 20% of their net worth. And Walt Disney (DIS) shareholders are suing the company's former directors – demanding they repay a $140 million severance package awarded to Michael Ovitz, who spent an unsuccessful 14 months as the entertainment giant's president. If Disney shareholders win this suit, the outcome could give new momentum in the move toward director accountability.

NOT WORTH IT? The trend is making it less profitable to serve on corporate boards. It's no longer enough to show up at quarterly meetings, enjoy the CEO's hospitality, and collect checks and stock grants. Corporate directors are under more scrutiny arising from the Sarbanes-Oxley law's requirements for greater disclosure, prompting an increase in the risks – and potential legal fees – that directors face.

Many directors will conclude that the potential costs exceed the benefits. This could make it increasingly difficult to recruit directors with the skills needed to serve effectively – further weakening an already imperfect corporate-governance system.

Why do corporations have directors in the first place? They exist to safeguard shareholders' interests. Since investors can't run the business themselves, they "hire" boards of experts who recruit an agent, the CEO, to run the business on their behalf.

MAJORITY SHARE BENEFITS. Over time, abuses have crept into the system, leading to "agency costs," such as $15,000 umbrella stands, $4.7 million Renoirs, or $2 million Sardinian birthday celebrations. The directors' job is to minimize these costs. In theory, directors are there to ensure that a company's managers increase the value of the business – or at the very least, protect its value from being reduced.

In practice, directors fall into two broad categories: Majority Share, who generally walk the talk, and Minority Share, who usually don't.

Majority Share directors control a majority of the equity of the outfits on whose boards they serve. Usually, directors who are general partners in private-equity firms are Majority Share directors. Such firms have done a better job of aligning the incentives of owners and managers to minimize agency costs. According to the National Venture Capital Assn., buyout firms generated annual average returns of 12.3% from 1982 to 2002 – outpacing the 9.6% returns of the benchmark Standard & Poor's 500-stock index.

LIMITED CONTROL. The general partners of such firms are paid to find private companies whose cash flows can be increased through attentive management. These directors choose and pay the CEO with a mix of stock and cash and monitor the efforts to increase the company's value. When it comes time to sell, these directors – and their fellow shareholders – usually profit because the price is keyed to the business' increased cash-generating potential.

Unfortunately, most boards are filled with Minority Share directors, who hold very small stakes in the companies on whose boards they serve. The CEO invites most Minority Share directors to the board – providing them with an incentive to preserve that CEO's position. More importantly, most Minority Share directors with valuable business experience are too busy with their main jobs to contribute meaningfully to key business decisions. As a result, boards often fail to evaluate rigorously resource-allocation decisions.

Minority Share directors are caught in a system that makes it difficult for many of them to protect shareholder interests. Such directors generally owe the bulk of their net worth to sources other than their positions on corporate boards. They join boards for the prestige, the perks, and to a lesser extent, the pay. With insurance covering less of their potential costs, directors bear a larger personal responsibility for a company's failure to act in the shareholders' best interests, while exercising limited control over the outfit's conduct.

CEO AGENTS IN PRACTICE. Moreover, it's considered out of line for a Minority Share director to oppose a CEO in a board meeting. A Minority Share director usually lacks the information required to challenge the financial results as the CEO presents them. If the company is doing well and the financial results accurately reflect that, the CEO may be able to take most of the credit – and the board very little. If the company is doing poorly but the CEO cooks the books, the board will be hard-pressed to discover the problem.

Simply put, in many cases Minority Share directors are themselves an agency cost – they add limited value when the company is performing well, and they're in a weak position to uncover and solve problems, particularly when the CEO hides them under the rug. Often, Minority Share directors are ineffective because they act as shareholder agents in theory but as CEO agents in practice.

There are no ideal solutions to this problem. The Majority Share director approach works well, but it can only be applied to a limited number of companies.

A REAL STAKE. This leaves two imperfect solutions. One alternative might be to replace the notion of "directors as shareholder agents" with "shareholders as directors who represent their own interests." Under this scheme, directors would be selected based on two criteria:

1. They are among the company's largest shareholders.
2. These big shareholders are investing a large percentage of their wealth (or their funds under management) in the company.

These directors would serve for a period of years, during which they would retain their stake in the company. An independent body would grade them on their ability to generate and execute ideas to increase cash flow. Due to their big shareholdings, they would have the clout and the incentive to dig deep and push hard to create value. And those with the best reputations would be sought out by investors and, ultimately, shareholding CEOs.

CHANGE IS OVERDUE. Another alternative might be to create a class of professional directors with the business knowledge and experience to offer useful advice. Such professional directors would serve full-time on a small enough number of boards that they could invest the time to challenge in a meaningful way the corporation's actions.

Furthermore, they would be paid out of a shareholder insurance fund created by a pool of shareholders – rather than by the corporation. Independent representatives of the investor pool would choose and grade these professional directors – paying out incentives based on the long-term shareholder value created or destroyed by the companies on whose boards they served.

Recent events are making it clear to corporate directors that whichever solution ultimately emerges, it's time for a change.

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Purchase my book: "Value Leadership"
http://www.amazon.com/exec/obidos/tg/detail/-/0787966045/qid=1053090532/sr=8-1/ref=sr_8_1/103-6128061-2165430?v=glance&s=books&n=507846

A mini-series on practical leadership focus for start-ups and emerging growth company senior executives.

This series will explore how leadership focus and skills must evolve as a company grows from a raw startup to an expansion stage successful enterprise. Most seminars, texts and articles talk about leadership generically as if it had the same requirements in all situations. It does not, and in fact the key elements of success at each stage of a company's development are always very different.

Leadership – The ability to make people respect and <u>WANT</u> to follow you that comes with the full responsibility for both success and failure.

Leadership is a skill that is hard to develop, but usually easy to recognize. It is an ability some are born with, but it also is one that anyone can develop with some guidance and practice. Usually you need the outside perspective of someone without any agenda or bias to improve. We all are unaware of things about ourselves that everyone else is aware of. These things must be identified and improved to be a successful leader. No leader can lead with without intimate self knowledge and insight.

Like many decisions and other things, leadership style and many key decisions are very dependent on your company's stage of development. Doing something one way might be very appropriate at a raw startup, but doing this same thing would be a big mistake at a more mature company. Let's examine how the focus of leadership must evolve as a company grows.

A leader in a large company spends lots of time making speeches in front of large groups and talking to the media. The messages must be enormously simple and repeated constantly. To be carried accurately through many levels and/or other people they are "dumbed down" to the simplest possible core message. The message must often speak to the least common denominator.

President Bush is a master of these "simple stupid" messages. Howard Dean said on Meet the Press that Bush is a master of saying the same simple message four times a day for twenty days. We could debate why, but at that level of communicating to 350 million Americans and six billion people worldwide it may be the only effective way.

A leader in a small startup however is a "hands on," show-them-how-to-get-it-done person. This is the other end of the spectrum, with lots of time to communicate with each individual one-on-one, and many complex messages are needed. Leaders in small companies must demonstrate lots of specific domain expertise that gives people the confidence to join in and follow them towards a vision they can not see or fully understand themselves. They must trust that the leader sees and understands this vision, because the leader has more knowledge, experience, and wisdom. Most people are followers; I believe this was an evolutionary imperative to allow humans to form social group and survive. The alpha wolf of the wolf pack, right or wrong, causes things to happen and action is more important than being right every time. In any complex world some amount of trial and error is necessary.

At this early stage the leader's specific domain expertise, experience, and wisdom is experienced one-on-one. Personal charisma plays a role, as does their communication skills and style. It can be much harder to lead a small team of good people than it is to lead a larger group from afar. Being there you are subject to the close scrutiny of the people you are leading every day. Large company leaders and politicians have many layers of protection and can expose only what they want to the masses. Small company leaders have day-to-day personal contact and must continue to build or maintain respect with each interaction. Good leaders in small companies create a team approach with a flat organization where everyone can communicate freely to everyone else without formal organizational hierarchy.

We will use the five stage company development model below to explore how leadership evolves from a raw startup to a mature company. I use this model as a key element in all advice given to CEOs, and all our products are rated for particular stages. This is because the answer to any question can literally be 180 degrees different for a stage #1 company than for a stage #3 company. Select where your company is here before proceeding. Then we will explore key leadership attributes needed at each stage of company development.

THE STAGES OF A COMPANY'S DEVELOPMENT

	REVENUE	EMPLOYEES	KEY INDICATORS
1 RAW STARTUP	None (by definition)	0-50	a) Innovation as a priority b) Always in flux, high risk c) More unknowns than knowns d) Product or service looking to prove its market exists e) Everything is fragile
2 EARLY REVENUE	\$100 to \$5MM	5-100	Product delivered proving some value proposition, but still no proven sustainable or profitable business model.
Most companies slow or stop growing here due to organizational and people limits. 100, 200 and 300 employees are critical hurdles. This is often the hardest leap to make which requires the most changes in the smallest period of time.			
3 ESTABLISHED	\$500,000 to \$50MM	20 to 500	a) Profitable or clear path to profits based on scaling business. b) A proven market and value or price formula, with profits clearly available in a steady state world when scaled.
4 GROWTH EXPANSION	\$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.
5 MATURE	\$8MM to \$100+ billion	100 to X	a) Slow growth, stagnation of market or company, or focused on harvesting past investments. b) Slow/little change in market and/or company or commoditization of products forcing a focus on costs above innovation. c) Consolidation of competitors and focus on finding new distribution and/or leverage.

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Leadership Attributes Needed at All Times

Consistency and leadership by example is needed at all stages. No one is going to follow a leader for long who says one thing and does another. This is foundational to form trust and respect with people. At the same time people will always criticize what they do not understand when it is above their ability to understand it. This Monday morning quarterbacking is also a fundamental problem in leadership at any size company.

> **"Wisdom is not a product of schooling but of the lifelong attempt to acquire it."**
> **Albert Einstein**

Most employees have no idea what a CEO does day-to-day and some even think we sit in our office all day enjoying ourselves and collect the big paycheck because we are lucky, know someone or are just plain politically savvy. They discount the intelligence and drive needed. They have never, and will never, understand the experience, talent, work, risk and hard decisions needed to grow a business. Few employees will have the commitment and be willing to make the sacrifices needed to found and grow a company. This must just be accepted as a reality and understood.

Decisions CEO make are more complex than most people will ever be capable of understanding and we need to understand and empathize that this stuff is WAY above most people's ability to grasp it. Individual contributors will only understand one area of the business well and they will see everything a CEO does differently through those glasses. They can not possibly weight decisions appropriately taking into account the other five or six disciplines needed to make a good decision. CEOs must understand eight to ten areas of the business 50% as well as any employee who does that job. These include sales, marketing, finance, product development, operations, management, people, hiring and other areas. Therefore we need to know literally five times as much as anyone else and integrate that balancing act of factors to do the best we can for the higher level corporate objectives.

This issue needs to be managed very well by a good leader. I have often spent several meetings with managers over many weeks to have them understand issues better when I knew immediately from experience what the correct decision was. If I dictated this decision without them understanding why I would be viewed as a dictator and probably also as incorrect and egotistical. This would inevitably lead to discontent among the managers and others. This perception would be incorrect because I was better qualified to make that decision. However, it would be the only information they had to go on and hence their perceptions would become reality in their minds and likely also the minds of others.

This is not meant to be a "no one knows the trouble I have seen" kind of sympathy play, but is just a harsh reality of the knowledge base a CEO must have as compared to others in the company. CEOs are certainly not always right, but they do have the broadest perspective on the business for decisions that impact the entire company. However, they should often defer to specialists in many areas when the decisions are more tactical and not influenced by knowledge from other areas of the business.

Attributes all leaders must project at any stage of a company's development:

1. Confidence (sometimes quiet and sometimes not). A strong ego is necessary to start a company, but it must be tempered and not worn on your sleeve.
2. Knowledge of the business landscape and competition.
3. Respect for other people and their input in your decisions. Caring and empathy for other people's problems and weaknesses.
4. Honesty and ethics.
5. Strong –communication skills. This means context sensitive communication that early on includes lots of one-on-one high bandwidth and deep communications with individuals to form your team.
6. Drive and commitment to the mission.

Stage #1 Leadership Focus Keys

During the formation of a raw startup, a leader needs to find a few key people that will complement his or her own skill sets and experience. Without these other perspectives you will make more mistakes, take more time, and eat more capital. No one can expect to understand every business discipline today, or keep up with the rapidly changing landscape in all areas. This implies you may need a couple fairly high level experts to buy into your vision of a new company.

The people you need must have lots of experience and strong opinions of their own. They should be skeptical and will know that the odds of success launching a new company are not great. It is easy to hire and convince individual contributors who are simply looking for a daily wage. It is much more difficult to convince the senior people you need at this stage. Therefore your leadership skills and wisdom must be shown quickly and effectively.

So what are the keys to leadership at this formative stage? Well here is a list to ponder, remembering they must be shown effectively one on one.

1. Deep expertise in the area(s) required for success in the business. Generally, domain expertise in the industry, or a business model like it in other industries. Typically, deep understanding of a problem that you know how to solve that others are ignoring.

2. Attention to detail to participate in the creation, not just have a big picture idea and entrust it to others to implement everything.

3. Creativity and flexibility. Your business is a heat-seeking missile that must make large course changes initially and then smaller corrections over time as you approach your target more closely. Believing you know it all on day one is the kiss of death.

4. A past reputation of success is certainly helpful as most people are influenced by this greatly. You must be able to articulate to others what you have accomplished and why this makes you highly qualified to start this company. You are selling yourself and your abilities and these people are taking a risk in joining you.

Confidence in the value the new company can deliver will sometimes border on arrogance. Yet the concept that "all progress is the result of unreasonable men" says that there will be many detractors and doubters. Can you articulate why and how you will create value for customers in a way that others are not providing today? Any wavering or doubt here can cause major problems, including loss of confidence company wide.

You should not be hiring people until you are sure you have found a way to create value for customers, at least in theory. This does not mean you have all the answers; on the contrary you must have a participatory management style and seek input on how to deliver this value to the market. It does not mean you know everything needed to make the business successful either, just that the core value delivered to the customer is powerful enough to be the reason for forming a new venture that can be successful.

Your attitude in all major decisions should be one of quiet confidence, leadership oozing out of your pores, not by mandate or ownership, which will seem defensive and arrogant. The natural authority granted as a result of your deep understanding of the business is what people will trust and follow. In very large companies the CEO need not know that much about the many products and services. How much do you think Jack Welch knows about jet engines or medical devices? However, during this formation stage you must understand the customer and value proposition that the company will deliver better than anyone else. This gets people to follow you because they want to, which is ten times more powerful than following you because they have to get their paycheck.

So leadership at this stage is mainly about being an expert in the business and a good manager of people directly. The transition from manager to founder is actually not that difficult because as a good manager you probably have already learned to do most of these things.

All of these key principals must continue to be present for leaders to be successful in larger organizations, but the way they are shown and delivered will evolve dramatically as the organization grows.

Stage #2 Leadership Focus Keys

At this stage of a company's development the focus is shifting from product design and development into a mode of "selling" and delivering the product to the first customers. Convincing customers to take the higher risks to work with a new company is no easy task today. Since the bubble popped, corporate managers are reluctant to work with new companies because they have learned about the high failure rate the hard way.

CEOs must have the ability to sell their vision to the target customers at this point. The CEO must lead the way and be directly involved in customer contact here. They must know all the information needed to prove the business model and make adjustments to the business and this only happens with direct customer contact. It is likely at this stage that there is still much to learn about the business and that lots of customer input will be needed to optimize the business model. You must make these decisions; no one else will have the breadth of experience and wisdom to do this as well.

The second additional leadership key at this stage is the ability to select the right people. This can only be learned through experience and if you have not learned to do it you probably should not be starting a company yet. However, there are ways to alleviate this risk using testing and the experience of others. You also need to correct mistakes in hiring very quickly. The first twenty people hired in a new company will determine the culture of the company for a long time to come. These people will hire others and lead by your example. Finding the first few experts in specific areas is actually easy compared to finding and hiring the right people across all disciplines that will set the appropriate tone and example. As Jim Collins so aptly state in the book *Good to Great*, "Getting the right people on the bus" is the key to success. There is no lack of proof and anecdotes showing that choosing your first people is among the most critical decisions you will make. It can even be life and death for the company. I would argue that the intelligence, personality, ethics and drive of these first people is even more important than their specific skill sets. Skill sets can be learned but personality, ethics, and drive can not be taught or forced.

This leadership challenge is not just about people selection, but also about defining the right roles needed. There are many choices that must be made by the leader. Do we hire young, cheaper sales people, or do we need expensive six-figure proven superstars? Or could we do with something in between these two extremes? There are no pat answers as every situation is very different. Only wisdom and experience can manage this risk, with a good amount of testing too. There are many ways to skin a cat and many thousands of ways to design a corporate organization.

I have seen people with this people selection skill succeed even though they lacked basic management skills. There is nothing more important at this stage of a company's development. Why is this part of leadership? Because you must sell the company, the idea, the culture, and yourself successfully to attract the best people. This is a leadership skill – you are "selling the vision" to get employees, vendors, investors, and customers to see the benefits of working with you. This is the most sensitive time in forming a company, where even a single bad hire can mean failure, if not corrected quickly. Getting the first few people right is not that hard compared to finding twenty people that set the right example. Remember these people will effectively make all the future hiring decisions for you so weaknesses they have could be exaggerated tenfold later.

Stage #3 Leadership Focus Keys

At this stage of a company's development it is time to start leading the company by the numbers. It is imperative to have processes, systems, and measurements in place beyond just the entrepreneurial philosophy that got the company to where it is today. Therefore leadership now requires some serious "professional management." Many entrepreneurs have great difficulty making this transition because their style is one of trial and error learning and "seat of the pants" flying. This is why most founders are quickly replaced by venture capitalists who recruit a professional and experienced CEO. Managing by the seat of your pants is fine for a ten or fifteen person company, but becomes stretched and difficult at twenty-five people and a formula for disaster beyond this size. Of the five stages of company development, most of us are only very good at two or three. With coaching and flexibility we can all learn to evolve with the company and grow into a new role, but this in impossible without some outside wisdom and perspective and a proactive effort to address this problem.

> **"To know that you know what you know, and that you do not know what you do not know, that is true wisdom."**
> **Confucius (449 BC)**

I recommend developing a corporate dashboard, which I define as a single piece of paper with all the key metrics. This ensures that the business is running smoothly by taking the pulse of each department with key metrics. A dashboard, when properly designed, will give advanced notice of any problem areas but it is also very specific to each business. A dashboard can take years to get right and must contain not just sales, turnover, and costs but also key ratios and time series that do not change as the business grows. Developing this is a key to becoming a market leader instead of always struggling with working "in" the business rather than "on" the business. Most companies reach their maximum size and are limited by the founder's ability to throw out the behavior that got them to that point and change that behavior to be more appropriate for a larger company.

At this stage leadership is starting to be more about small messages filtered through many people than about personal charisma and individual expertise. It is more about people seeing the right things happen as a result of what you do, instead of seeing what you actually do.

Stage #4 Leadership Keys

Leadership now becomes a lot about leading the company on a larger scale and over longer period of time in terms of goals. It is now less about leading the individuals. At this stage of a company's development the leader must be backing off from direct involvement in any details.

Deal making and positioning the company for sustainable long-term competitive advantage are now the keys to your success. Odds are at this stage you can afford, and have probably hired, day-to-day management help in the form of a COO, president, or general managers to handle each product or division. You cannot scale until you get all those day to day issues off your to do list anyway, as scaling is all about growing the business, not working in it.

Leading individuals becomes easier now because you have groomed your best people for the top and they are proven on the battlefield. They understand you and vice versa. You can communicate in shorthand and they have been trained by you to take entire hills without much help from you. These people are true executives who can be given big missions and challenges and be trusted to come back if they need help. They can be managed by exception. Therefore leading the masses becomes a series of simple messages and meetings delivered less directly and more through your senior lieutenants.

The amount of information delivered to individuals within the company directly by you is now very limited. People will get most of their leadership from the senior managers directly over them. If you have done a good job the philosophy you have developed will be there. The leader must have learned to trust their senior staff completely, and must also have the systems in place to really know that everything is operating smoothly in each area of the business.

To become a market leader you probably need to make some bold moves now. You are prepared to do this with little risk because you have been collecting the information needed for years and training your troops. You understand what your organization can and cannot do and how long it will take. Leadership at this stage is about improving the business design, diversifying, identifying new markets and products that the company can deliver well, and working on other big picture ideas. Developing training programs and a learning organization is worth much of the CEO's time here. Half your time should be spent on finding and developing the best people you can at the top levels of the organization.

Some leadership actions that might be appropriate here:

1. Acquiring other companies.
2. Going public to finance market dominance or market leadership.
3. Moving into complementary product or market areas that will increase profits as well as secure the strategic position of the company for the long term.
4. Vertically integrating the organization to capture more profit along the value chain that you now control to your customers.
5. Looking for ways to create more value for customers and shareholders.

These are very different skill sets than those needed in a stage #1 or #2 company, but they also have some overlap. The ability to synthesize lots of information from many different sources to form a plan is still critical. However, now you must be thinking on a much larger scale and be prepared to take less risk with bigger moves.

As you can see, the demands of leadership evolve with any company's growth and you must adapt and change your focus. If you do not your company will cease to grow and become just another company without any chance of major success and market leadership.

Here is a summary of some of the key focus areas to be thinking about to be a successful leader in various stages of company growth.

Top Ten Rules of Leadership In Small Company Environments

1. Always communicate your vision and objectives clearly. Using a management by objective system with monthly, quarterly, and annual goals forces clarity here.

2. Lead by example in areas like integrity, work ethics, and everything you do that is visible to your subordinates.

3. Solicit people's opinions and listen well. You can weight their input based on their experience and talent, but good people must feel they are heard if they are to follow a leader. You must be approachable if you are to be given all the information you need freely. People want to be sure you know what they know before they follow you into risky waters.

4. Only lead in areas where your expertise is excellent. No one wants to follow someone who does not know the terrain or where they are going. If you do not know an area well, defer the decision to an expert in that area unless you are really certain you understand why they are wrong because of a limited perspective on the decision.

5. Don't react negatively or punish people for disagreeing or dissent. Encourage dissent and open discussion. The last thing you want is to be surrounded by people who are afraid of speaking up. If the dissent is behind your back and done in a way that causes revolt and dissent among the troops that is a different story. Then you must act decisively to remove that person, as they are harming the company and your ability to lead it.

6. Let people make their own mistakes on a small scale to learn. Coach them, do not lecture them. Give them guidance and the authority to try things, help them develop a roadmap of WHAT must be done to succeed, but do not tell them HOW to do everything. Getting involved in every detail will not only hold them back but will cause them to lose the respect of all the people under them too. Always give full authority with responsibility. Your subordinates will never develop their skills if you closely direct or oversee their every move.

7. Focus your efforts on the critical areas that change as the company evolves. The areas of risk in any business change as the company moves from product development to delivery to scaling. You must know where your time is best invested at each stage.

8. Always scold in private and praise in public. Never embarrass anyone intentionally in front of others, but you must provide negative and positive feedback for people to grow. The sandwich technique (complement – criticism – complement) works well for lower level people with sensitive personalities, though these people are very hard to groom for senior levels of authority if they are not open to any criticism.

9. Never exact more privilege from your position than your subordinates are willing to grant. Taking too many special privileges drives a wedge between "management" and workers. Limit the privileges to less visible things, and provide superior pay for superior performance to allow senior people to do whatever they want on their personal time, but don't have them bragging about the airplane or cigarette boat they bought on the shop floor to everyone.

10. Show strong confidence, but not arrogance. People will not follow people who do not believe in themselves.

The book *Leadership Secrets of Attila the Hun* has many good maxims of leadership that apply to Stage #2 through Stage #4 companies. Although the title and image leave something to be desired in an enlightened world of management that has grown beyond dictatorial management styles, the issues of people following people are indeed timeless.

Bob Norton runs the premier CEO & Entrepreneur Boot Camp in the U.S. today that trains leaders to grow companies more rapidly. He also offers a mentor and coaching program for entrepreneurs and CEOs at emerging growth companies. He can be contacted at bob@CLevelEnterprises.com.

Appendix - Other Products to Help Your Business Grow More Rapidly

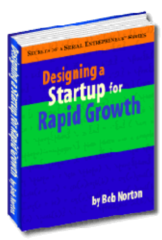
Books, CDs and DVDs For CEOs and Entrepreneurs To Help Grow Your Businesses More Rapidly and Develop Long-term Competitive Advantage

All products were developed by our founder, Bob Norton, a serial entrepreneur for over twenty-five years and a CEO since 1989. Mr. Norton is one of the leading authorities in the world on entrepreneurship, intrapreneurship and growing early-stage businesses rapidly. He has participated in eight startup companies; grown two to over $100 million in sales and several have dominated their respective markets. He has also worked for two multi-billion dollar corporations running product development efforts. His experience goes across all size companies, and many types of businesses in various industries. During his career Mr. Norton has helped created over $1 billion in new shareholder value just while at those companies. Mr. Norton provides expertise on growing small and medium size companies more rapidly using eleven different proprietary tools and methodologies for business design, development and optimization, which he has developed over the last fifteen years. Many ideas are also contributed from over 1,000 business books in his personal library. He also runs the premier CEO and Entrepreneur Boot Camp in the U.S. today, which is designed to cut years off the learning curve of CEOs and entrepreneurs and turn them into world-class CEOs. This exclusive event teaches practical business design and optimization systems in an intensive three-day training program for any CEO or entrepreneur.

Mr. Norton has appeared in Inc. magazine, on CNBC and many other regional and national media. He coaches and mentors both entrepreneurs and experienced CEOs one-on-one, and through consulting, speaking, writing and seminars. He frequently speaks at corporations, associations, and universities on business topics.

These books are targeted at particular stages of company development where early-stage ventures commonly encounter critical issues while moving from raw startup with an idea to becoming an established company. They are guaranteed to improve any business's chances of success dramatically. They can be downloaded immediately and the ideas and systems put into action the next day. They are packed with totally unique content that comes from the experience of a real serial entrepreneur, not just an author who did some academic research, but practical advice and systems for CEOs and entrepreneurs proven to work over two decades. The philosophies and systems used in each are compatible so that, as a set, they will create a complete framework for successful and rapid business growth.

Company Development Stages:
1 Raw Startup 2 Early Revenue 3 Established 4 Growth/Expansion 5 Mature

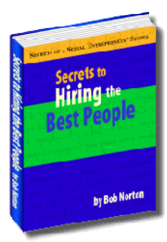


DESIGNING

1 = Raw Startup Idea

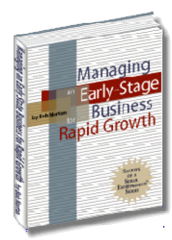
LAUNCHING

2 = Early Revenue



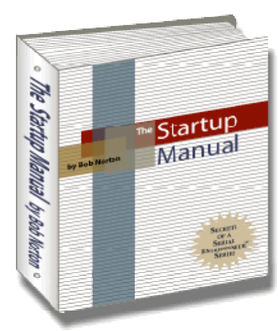
HIRING

2



MANAGING GROWTH

3 = Established



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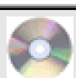	***Audio Seminars With Slides****			
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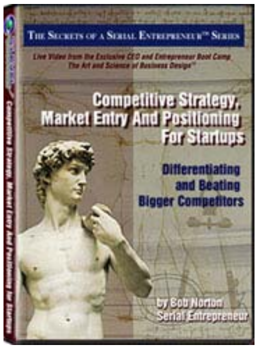

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Learn How To Build a $100 Million Business From a Raw Idea or Startup From Someone Who Has Done it Twice!

A Comprehensive Executive Training Program in Entrepreneurship. An Integrated System For Starting and Running High Growth Businesses Developed Over the Last Fifteen Years by a Successful CEO and Serial Entrepreneur. This seminar incorporates the best practices and ideas for startups and emerging growth companies from over 1,000 business books.

This management training and entrepreneurship boot camp helps turn entrepreneurs into more successful CEOs and raise the performance and success levels of any senior executive. Over a dozen systems will be taught at this management training seminar, crossing all the major business disciplines including sales, marketing, finance, operations and product development. Tools are also taught for strategy, hiring, management, employee development, risk management and corporate vision development.

These entrepreneurship systems are the "best of the best" distilled down from twenty-three years' experience and over 1,000 business books and integrated into a system and philosophy that can grow any business into a $100 million entity more quickly and smoothly.

100% of past graduates have said what they learned would improve their business significantly within the next couple of months!

See complete video testimonials at www.CLevelBootCamp.com

Currently Scheduled Dates: April 21st and 22nd - Waltham, Massachusetts June 23rd and 24th – Atlanta, Georgia September 15th and 16th — Chicago, Illinois **Go to www.CLevelBootCamp.com for the latest schedule**	"I thought this seminar was appropriate for any senior level executive to get on the same page strategically with their team and boost their business. I feel I greatly underpaid for the value delivered." -- John Edmond, President, Angel Data Networks
'Way to go! No question about value delivered." -- Charlie Atkinson, Founder, WholeSystems "If I knew this a couple years ago I would be worth millions more today." *Founder of successful company, who wants to remain anonymous and is now in Bob's coaching program.*	For Stages: ❶ - ❹ Regular Registration: $2,195 Early Registration: $1,895 (At least 30 days in advance) Special rate for two people registering together: $1,650 each = 50% off for the second executive. A $500 deposit will hold your seat till 30 days before any event then full payment is due.

Call to reserve your seat or register online at: www.CLevelBootCamp.com

FAX and Mail Payment Form

Four easy ways to order:

1. Order online at http://www.StartupPlanet.com/ (fastest)
2. FAX Order and Payment Form To: (801) 672-9640
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Note: All orders outside of the United States: Add five dollars for each video, nine dollars for each physical book, above regular shipping costs.

Bob Norton's CEO & Entrepreneur Coaching Program

How would you like to have Bob on your team every month to improve your business?

I get all the fun and excitement of leveraging my experience through others, without the long hours and risk. Amazingly, even though this is just over a year old, no one has ever left this program!

The CEO & Entrepreneur Coaching Program is not for the average corporate executive. It is just for serious entrepreneurs and CEOs who want to grow BIG companies. Typical clients have revenue from $0 to $20 million and want to get to that next level. They need help shifting gears as they enter new territory and hit plateaus. Most executive coaches cannot coach at this level, offering broad business advice, because they have not been CEOs, or sometimes even senior executives at high growth companies.

Even Tiger Woods Needs a Coach.

The CEO & Entrepreneur Coaching Program is designed for people who have been a CEO for less than seven years, or are in a new situation that they have not successful navigated before. If you have not grown a company to over $25 million in sales, and that is your goal, doesn't getting help from someone who already has done exactly that makes sense? The CEO and Entrepreneur Coaching Program is designed to both help guide your business and to help you develop into a world-class executive more rapidly. Bob will be up to speed on your business and provide advice on any and all challenges you face every week.

Outside perspective is key to success.
We are just too close to many issues to see all the best alternatives.

- **Regular Phone Meetings** – An average of 60-90 minutes per week of time working with you "on" the business (not "in" the business) and addressing the biggest challenges and decisions you face today by phone. Another 30-60 minutes working on other stuff.
- **Telephone and Email Support** - You will have Bob's cell phone number to call for quick consultations on important decisions and issues. Bob will also leverage his personal network of contacts to help you find key strategic answers and resources.
- **Market Watch** - Bob will think of both you personally, and your company, in his research and reading and send you relevant news, ideas and articles that are appropriate to guide you and your company at your current stage of development.
- **Vision Development** – Bob will work with you, adding his experience to your Skill Set Matrix to round out your team

A four month minimum commitment is required because Bob may invest extra unpaid time up front to get up to speed on your business. The cost of the program is from $1,000 to $1,950 per month with 1, 1.5 and 2 hours per week, depending on your needs. Imagine having a sixteen-year CEO on your team every week for less than the price of a receptionist and an hourly rate less than you pay your attorney or accounting partner.

I guarantee to improve your business in ways you cannot imagine.

Flat Rate CEO Level Consulting Projects For Startups and Emerging Growth Companies

CEO Level Consulting Help For Startups and Emerging Growth Companies

"I love helping young companies break through their barriers. It's fulfilling, rewarding, and easy for me to do. I have saved people $100,000 and many months of trial and error in a single meeting before. I'll always allocate a small percentage of my time to helping entrepreneurs and CEOs through consulting and CEO coaching programs. Doing so allows me to keep sharp in technology, market changes and new products."

Bob Norton, Founder and CEO C-Level Enterprises, Inc. and StartupPlanet.com

Entrepreneurs and CEO's will **ALWAYS** need a specialist in early-stage ventures. Startups and early-stage companies are a **TOTALLY** different animal than larger companies. But most consultants come from larger companies and want to build you an aircraft carrier, when all you need is a speedboat that can turn on a dime. Because plans inevitably will be in constant flux at the early-stage, you can and should be building your infrastructure at a fraction of the cost compared to established companies. The learning curve is always very steep and have no doubt — you will be continually revising your plans. The projects listed below can be done quickly and inexpensively. An experienced CEO can do these best because they span several business disciplines.

If you are launching a new business and have not done these projects before, then you should not expect to successfully complete these highly complex tasks by yourself the first time. For example, it takes many years of real experience working with investors to understand what they expect to see in your business plan, presentation and executive summary. The bar is higher for investors than ever before. Each mistake invariably costs more than expected. The cost is actually your monthly burn rate times the number of months it takes to learn and get it right! Don't be penny wise and pound foolish by waiting months or years before seeking guidance from an expert, because the real cost of **NOT** doing it right in the beginning can quickly become tens or even hundreds of thousands of dollars in actual costs, delays and/or lost sales.

Complete Financing Readiness Review, Critique and Coaching Session

Complete Financing Readiness Review & Critique - Guaranteed to significantly increase your chances of raising either angel or institutional VC funding. A complete slide presentation and executive summary review and critique, plus a coaching session on presenting to investors. Usually takes a week and may be the difference between getting financed and not raising a dime. Less than 1% of companies presenting to VCs will get funded! Only the best prepared and coached entrepreneurs will succeed in today's capital environment. Save yourself months of grief and learning, and don't burn your best contacts. You are too close to your business to do this yourself if you have not raised millions before. Only $850

Full Business Plan Review and Critique

All comments and additions written in context in black-lined text plus a review of reasoning behind each suggestion (35 page size limit at this price, proportionally more for larger plans). Also provided are sample slides and diagrams you can customize that have proven effective in raising capital. Anyone can write a business plan, but we will considerably improve the plan's strategies and tactics while adding the expertise of an experienced CEO to refine and improve your business model further. This project could move you forward a whole year! This is not a writing project; rather, it's designed to make sure the business model is optimized, your business plan is properly organized, complete and acceptable to investors etc. Every customer of this project has gained great value and made undreamed of improvements in their business and plan. Only $950.

Both Of The Above Together At Same Time $1,500

You Absolutely Need a Startup and Early-Stage Specialist For These Projects. Most Consultants Come From Larger Companies and Have Never Been a CEO.

Executive Summary Review and Critique (3 page limit)

This is for people with no budget at all but not recommended alone except for very experienced entrepreneurs. Avoid the mistakes 95% of entrepreneurs make trying to get financing. Review and blackline edits with two conference calls to discuss the improvements entrepreneurs make every day that prevent them from getting funded. Includes a second review after you do edits and additions. This is not about writing style or format. This is about the content, the business model and getting in front of more investors. Only $450.

Develop an Investor Presentation Plus Coaching Session

Develop an Investor Presentation - Developed from a completed business plan supplied by client. Generally about 25 slides. The client must provide all market research. Includes draft, review, improvements and final review with client and some coaching. Only $2000.

Develop Executive Summary - From an existing business plan

(From scratch without a plan is hourly rate.) This is THE key tool to get you in the investor's door and must be "perfect" and complete or it will just burn financing opportunities. 98% are incomplete and rejected immediately. Be in the top 2% for a small investment. Only $1,450.

Both Of The Above Together At Same Time $2,800

Strengths, Weakness, Opportunities and Threats (SWOT) Analysis of Your Business

Guaranteed to identify ways to improve your business. This is a full one-day visit and interview with all key executives to develop a report on leverage points that will improve your business. Executives will be required to spend some advance time analyzing SWOT--Strengths, Weaknesses, Opportunities and Threats. A report will then integrate and evaluate their analyses and provide strategic suggestions and organizational development ideas. Report will contain a Skill Set Matrix™ evaluation and specific strategies to prepare for rapid growth. Must be done on site, so additional travel time and direct expenses are billed separately. Only $5,500.

General Market and Strategy Development Call for Quote

Improve or develop a business model and vision or evaluate a new product launch.

One Year Business Market Entry/Launch Recommendation OR
One Year Operational Plan Development From Only $7,500

Due to time considerations not all applications can be accepted for these projects. Time is committed and reserved with a 50% deposit in advance and credit card guarantee of the balance on completion.

Call 508-381-1450 to discuss your project and timing.

Flat rates align the client's and consultant's goals to achieve the most timely and cost effective solutions. Hourly rates create a conflict of interest for the consultant and the desire to do a "perfect" job—more appropriate for a large company where the rate of change is far lower. Moreover, hourly rates are usually much more expensive. Flat rates ensure a practical job based on the company's early-stage, exposure and other situational factors. Whenever possible we will quote a flat rate for a well defined project. Generally Bob Norton does all of these personally, giving you the full experience of a 15+ year CEO on every project. When appropriate we have other proven experts available with combined professional experience of over 400 years.