

BEST PRACTISES FOR CEOs MANAGING GROWING ENTREPRENEURIAL BUSINESSES: WHAT TO DO AND HOW TO DO IT

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The University of Western Ontario Business School recently surveyed 117 CEO's of Canada's most successful, rapidly growing entrepreneurial companies.¹ The goal of the study was to find out what practises those CEOs employed in sustaining rapid growth and creating value which could be helpful to other entrepreneurs in running their businesses.

This article summarizes and reports on important results from the UWO study: Leading Management Practises – A study of rapid-growth entrepreneurial businesses. You should obtain your own, complete copy of the study by contacting the Institute for Entrepreneurship, Innovation and Growth, Richard Ivey School of Business, University of Western Ontario at: Phone: 1-877-333-4344; Fax: 1-519-850-2337; Internet: www.ivey.uwo.ca/entrepreneurship. A fee will be payable.

The CEO's of 117 rapidly growing Canadian entrepreneurial companies were surveyed. The average company had sales of \$19 million and 150 employees, had been in business for twelve years, and was growing at a compound rate of 24% per year. In 82% of the companies the CEO was also the founder. Twenty-six of the companies were publicly traded at the time of the survey.

While most owner managers do not aspire to grow their businesses to this extent, all owner managers can learn from the “best practises” adopted by those who have already done so.

The Five Major CEO Management Activities

David Shaw and Wendy Whyte authored the report. They identified five major issues constituting CEO general management operating activities. Ranked in order of importance they are:

- maintaining focus
- organizing to accomplish the work effectively and efficiently
- managing the company's vision and values
- managing the decision-making process
- managing the flow of information

What follows is their summary of tasks – the “what to do” – and practises – the “how to do it” – for each of these critical CEO activities, ranked by order of importance.

Maintain Focus

Tasks - What To Do	Practises - How To Do It
<ul style="list-style-type: none"> ▪ retain key customers ▪ find profitable new customers ▪ keep top management focused on the core business ▪ find new growth opportunities for existing products and services ▪ maintain business focus in face of technology changes ▪ deciding whether to exploit new opportunities 	<ul style="list-style-type: none"> ▪ analyze impact on existing business when evaluating new opportunities ▪ diversify beyond one product or service ▪ develop a written plan, and use a system to monitor performance against the plan ▪ look for total solutions for customers even if it means moving beyond your traditional business boundaries ▪ require a written proposal for new business initiatives including synergies ▪ use formal customer feedback process

Organize to Accomplish Work Effectively and Efficiently

Tasks - What To Do	Practises - How To Do It
<ul style="list-style-type: none"> ▪ attract qualified persons to top positions ▪ provide product support and customer service ▪ retain key employees ▪ develop financial monitoring systems ▪ ensure existing employees have required job skills ▪ change organization structure as company grows ▪ develop internal control systems ▪ define roles and responsibilities for managers ▪ develop a plan to deal with potential business downturn 	<ul style="list-style-type: none"> ▪ monitor key accounting-based measures ▪ set clear responsibilities and priorities for managers and employees ▪ monitor key “real-time” operating variables, such as quality measures ▪ appoint managers who have the capability to take on greater responsibility than the current job requires ▪ provide formal training for new hires ▪ expand span of control of top management instead of adding layers ▪ hire people with industry experience

Manage the Company's Vision and Values

Tasks - What To Do	Practises - How To Do It
<ul style="list-style-type: none"> ▪ communicate the vision and values of the organization to new employees ▪ foster an entrepreneurial culture ▪ communicate directly to company employees about vision and values ▪ develop an adaptive culture where management and employees expect change ▪ communicate company vision to investors ▪ foster an environment where it is acceptable to try and fail ▪ communicate your company's vision to customers ▪ align company's vision and values for new employees with those of longer-term employees 	<ul style="list-style-type: none"> ▪ set clear criteria and core values for product/service quality and customer care ▪ tie compensation to specific business goals for managers ▪ hire only those people who fit company values ▪ use the planning process to create buy-in for vision among the top management team ▪ provide a mechanism to encourage new product or service ideas from employees ▪ hold regular formal communication meeting with investors ▪ tie compensation to specific business goals for employees

Manage the Decision-Making Process

Tasks - What To Do	Practises - How To Do It
<ul style="list-style-type: none"> ▪ avoid decisions that could threaten the survival of the business ▪ make decisions fast enough ▪ delegate decision making and maintain control ▪ balance multiple points of view among top management to reach a decision ▪ allow for input on decisions from several sources while still making decisions quickly ▪ deal with increased complexity of decisions ▪ selecting key external advisors, such as lawyers, accountants and consultants 	<ul style="list-style-type: none"> ▪ clearly define and agree on business priorities with top management ▪ delegate responsibility for day-to-day decision to managers ▪ review business priorities on a quarterly or more frequent basis ▪ use the planning process to create alignment of priorities among top management ▪ impose and stick to deadlines for key decisions ▪ delegate responsibility for day-to-day decisions to employees ▪ use board of directors with outside members

Manage the Flow of Information

Tasks - What To Do	Practises - How To Do It
<ul style="list-style-type: none">▪ ensure all employees have the information needed to do the job▪ maintain the information system while the business grows▪ manage information technology to control the business▪ decide on appropriate information technology systems▪ overcome communication barriers cause by organization size and job specialization▪ manage information flow while organization structure changes▪ manage increased information quantity as the business grows▪ keep information flow relevant for new members of management team	<ul style="list-style-type: none">▪ hold regular communication meetings with all employees▪ share company plans with employees▪ use information technology to increase employee productivity▪ provide opportunity for informal communication among all employees▪ maintain state-of-the-art information technology

A Closing Thought

No person can do all of these things well all of the time. However, it is possible to consider which of these things your are doing well, which you need to get better at, and which ones your are going to do something about right away. After all, success in business usually comes from doing the right thing at the right time, which is why the CEO earns the big bucks.

¹ Shaw, David and Whyte, Wendy; *Leading Management Practices: A study of rapid-growth entrepreneurial businesses*; Institute for Entrepreneurship, Innovation and Growth, Richard Ivey School of Business, University of Western Ontario, London, Ontario (1999).