

ENTREPRENEURIAL CEOs: THE TOP THREE SKILLS YOU NEED TO LEARN AND MAINTAIN

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A recent study reported in Business Quarterly provides significant guidance to CEOs of entrepreneurial companies.¹

The authors surveyed 200 CEOs of small businesses in the United States. The purpose of the survey was to improve understanding of the skills required to be an entrepreneurial leader in today's business environment.

The CEOs in question represented companies with no more than 500 employees. The median business had annual sales of US\$10,000,000.00, was fifteen years old, employed 73 people, had two locations, exported less than 1% of its product, covered a national U.S. market, and was growing at about 8% per year.

Twenty per cent of the CEOs were women, averaging 45 years of age with 16 years industry experience. On average each female CEO owned 62% of her business. Eighty per cent of the CEOs were men, averaging 48 years of age with seven years in the industry. The average male CEO owned 58% of his business.

Admittedly this group of people represented business attitudes in a neighbouring country, and their small businesses were still good sized by Canadian standards, but based upon the size of their businesses, their age and their experience these people definitely had something to teach Canadian entrepreneurs about the skills required to lead an entrepreneurial business.

The Top Three Skills

Although a total of 34 key skills were identified, the top three, by a significant margin, were:

- Financial Management
- Communication
- Motivation of Others

Financial Management

Most owner managers are either sales persons or trades persons by background, with little regard for accounting issues. Therefore, it is important to note that these large, growing enterprises are lead by people who rank financial management well above either of these more traditional pursuits.

For example, sales ranked twelfth of all skills, and was weighted about one third the weighting provided to financial management. Product development and quality control ranked 21st and 23rd on the skill list, with less than one quarter the weighting provided to financial management.

Under the heading of financial management two major challenges were identified. The first was locating and maintaining adequate capital for the business. The second was using the funds wisely.

Specific sub-skills under the heading financial management included:

- locating and securing sources of capital, especially independent investors (angels) and commercial banks
- maintaining good relations with investors
- general accounting knowledge and accounting skills
- monitoring all elements of cash flow, including controlling spending and collecting receivables
- maintaining adequate cash reserves.

Communication

The number two skill by a significant margin was communication, both one on one and in large group presentations. Also, this group of CEOs emphasized the need for good communication skills with respect to customers, suppliers and investors as well as communications with employees.

More specific skills under this heading included:

- the ability to express ideas in a clear, simple and direct way
- listening to others carefully and openly
- showing that ideas are being heard and are valued
- expressing the company's vision, goals and plans (which assumes you have them) in a way that inspires understanding and action.

Motivation of Others

The third of the top three skills was motivating others. Three specific skills were identified under this heading:

- developing employees into motivated teams that understand and support the company vision and have a sense of urgency to make it happen

- consensus building through praise and support of employees and their accomplishments, creating trust and loyalty
- designing and implementing reward programs that reward team effort while acknowledging individual.

Conclusions

It is appreciated that most owner managed businesses are largely an extension of the owner, and are not meant to do more than provide personal financial security and personal fulfillment to the proprietor. However, the weaknesses in owner managed business are usually a reflection of the weaknesses in the business skills and attitudes of the proprietor. Therefore, for those of us who wish to get more out of our businesses, even if we do not harbour serious dreams of high growth or big money, the priority placed on various skills by this group of people offers significant insight, and suggests concrete ways we can improve our businesses by improving ourselves.

1. *Entrepreneurial Leadership*, by John H. Eggers and Kim T. Leahy of the Center for Creative Leadership, San Diego, California, in *Business Quarterly*, Summer 1995 (University of Western Ontario).

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