

Growing from Entrepreneur to Manager

by Bob Normand

SUMMARY: Small business start-up rates are at record levels; so are failure rates. There is a definite pattern to failure rates. Initial growth of small business often plateaus because of a lack of corresponding growth in basic management skills. Entrepreneurs must shift their thinking from tactical and operational to strategic and supervisory. Entrepreneurs must become professional managers or suffer poor business performance, even failure. Growth in sales and employees must be accompanied by corresponding growth in management skills. Systems, procedures, tools and training already exist that can be quickly adapted to small businesses at low cost.

Small business is hardly small when it involves 5.6 million enterprises, employs more than 60,000,000 and accounts for 80% of new job creation. Small business is the heart and lifeblood of our economy.

Great democratic and capitalist experiments worldwide continue to produce a record number of new business start ups year after year. Never in history have so many entrepreneurs emerged to start new ventures.

Unfortunately, there are a record number of small business failures each year also. Failures are harder to track but, in the U.S.A. alone, some followers place the new business failure rate as high as 80% in the first two years. The statistical basis for this extraordinary claim is a mystery. The most conservative estimates, however, based on government records of tax returns, place the new business failure rate at approximately *50% within the first five years*, a number which is still shocking.

Add to this the many small businesses that are *under-performing*. These are businesses scraping by, surviving year to year, but producing profit rates so low as to make certificates of deposit and money market investments attractive alternatives to the work they do.

There is a Pattern to Small Business Failure

Entrepreneurs tend to get into trouble or fail for reasons that are repetitive and common among businesses, no matter what type of endeavor is involved. Only infrequently is failure related directly to market factors beyond business owners' control.

Underperformance has much more to do with how we run our business daily or, more specifically, what we *don't* do to manage the business. Entrepreneurs are, more often than not, technical experts at what they do. They have either practiced their trade for years in another company or learned it growing up in a family business. But often, entrepreneurs' formidable technical expertise is accompanied by a great naiveté in management principles and skills.

It's about the management "thing". It's about the business of running a business. It's about basic management skills that are weak or absent. It's about not installing and using sound administrative skills, management techniques and operating systems. (I'm being redundant here for effect)

Most entrepreneurs run into difficulty when their business reaches annual sales levels in the \$1-2 million range or their total employee count exceeds five. There is no hard and fast rule to these numbers but they are typically problem milestones for many small businesses. It's at this level that business owners must grow themselves from doers into strategic thinkers, managers of things to managers of people. In short entrepreneurs must transition into professional managers or stagnate, even fail.

Failure to make the growth transition from Entrepreneur to Manager is the primary cause of failure in small business.

Entrepreneur versus Manager

Here's how my dictionary defines the difference:

Entrepreneur: "A person who organizes, operates, and assumes the risk for a business venture. A risk-taker who has the skills and initiative to establish a business."

Manager: "One who handles, controls, or directs, especially: a. one who directs a business or other enterprise or b. *one who controls resources and expenditures.* (My Italics)

Entrepreneur and manager are not only different job functions; they demand different personalities, even diametrically opposed personalities. Free spirit versus controller. This explains the general dislike courageous entrepreneurs have for administration and the trepidation many good managers have for starting ventures.

Nevertheless, both personalities are needed in a company and this becomes more and more obvious as the company grows in sales and number of people.

It's Not as Hard as You Think

Many technically competent business owners are not business school grads nor have they had formal management training. Busy managing and nurturing their companies, they don't have the time to pursue formal training in pursuit of an associate, bachelor's or MBA degree in business. And even if the time and treasure were to be expended for formal education, are the skills learned in advanced academic programs the ones that are needed in a small business environment? Having pursued an MBA myself, I believe the answer to that question is emphatically "no".

My own experience as a business owner told me I needed simple solutions and quick answers to the initially weak management structure in my first business. I didn't need to understand macro economics to realize I needed a systematic method for managing cash flow. I didn't need to understand the statistical difference between 1.0 and 2.5 sigma levels but I did need a simple way of relating my pricing method to bottom line profits.

No one is born with basic management skills. They are learned behaviors based on principles and techniques readily available to small business owners and managers. Basic systems, tools and procedures can be installed in your business as pre-designed, plug-in spreadsheet systems or Word templates. You don't need to re-invent the wheel. I also found there are many training and mentoring opportunities available today online.

Many of these systems, tools, procedures and training opportunities are available to small business owners at relatively low cost compared to on-site management consulting, which often runs more than \$15,000 *per week*. And they are available from a variety of sources, including the internet. One such source is <http://www.isbminc.com>, where a full range of management tools, systems, procedures, guides and training are available for a fraction of the cost of on-site consulting.

It's Time to Change

Someone once told me that the definition of insanity is doing the same things over and over again and expecting different results. If you find yourself working long hours but getting little profit in return; if you find it difficult to manage your people or feel they're in the wrong jobs; if you run into periodic cash deficits that threaten the future of your business; if you feel you haven't developed a "corporate soul" in your enterprise, then it's time to *change, change you*.

What's needed is to make the transition from Entrepreneur to Professional Manager.

The good news is, with today's amazing accessibility to information, you have plenty of low cost help readily available to you.

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