

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




Secrets CEO's Use to Grow Companies

Bob Norton

Presented By: 

© 2004 C-Level Enterprises, Inc. www.CLevelEnterprises.com **1**



Some Goals For Today

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

© 2004 C-Level Enterprises, Inc. www.CLevelEnterprises.com **2**

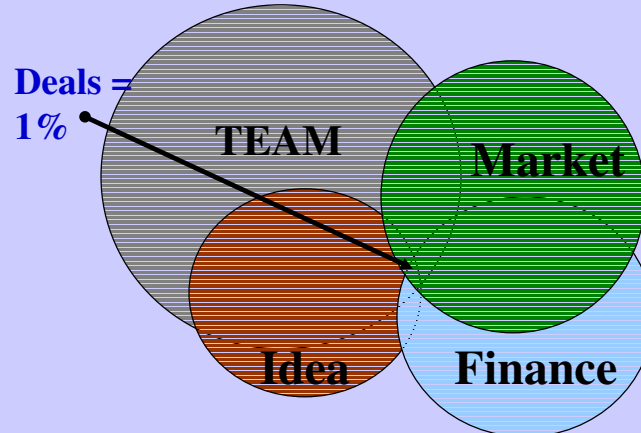
Agenda

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

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.
<p>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.</p>			
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	\$2 MM 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	\$8 MM 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.

What Drive Success?



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

What Drives Success?

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

And don't forget luck and timing too!

TEAM

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



MARKET

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

IDEA

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

FINANCE

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

What Makes A Strong Team?

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

Job Scope and Levels

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

	Mkting	Product Dev.	Ops	Finance	G & A	Sales
VP						
Dir						
Mgr		i.e. 1 Programmer must be: Software Engineer,				
Super		HI Designer, Project Manager, Product Manager,				
Group Leader		QA & Support/App. Eng				
IC						

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

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

Common Bubble Phenomenon

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

LESSON = Good person, wrong stage = FAILURE

Key Dimensions of People's Skills

1. Discipline
2. Level
3. Stage

So How Do We Address This in a Practical Way?

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

Skills Set Matrix

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

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

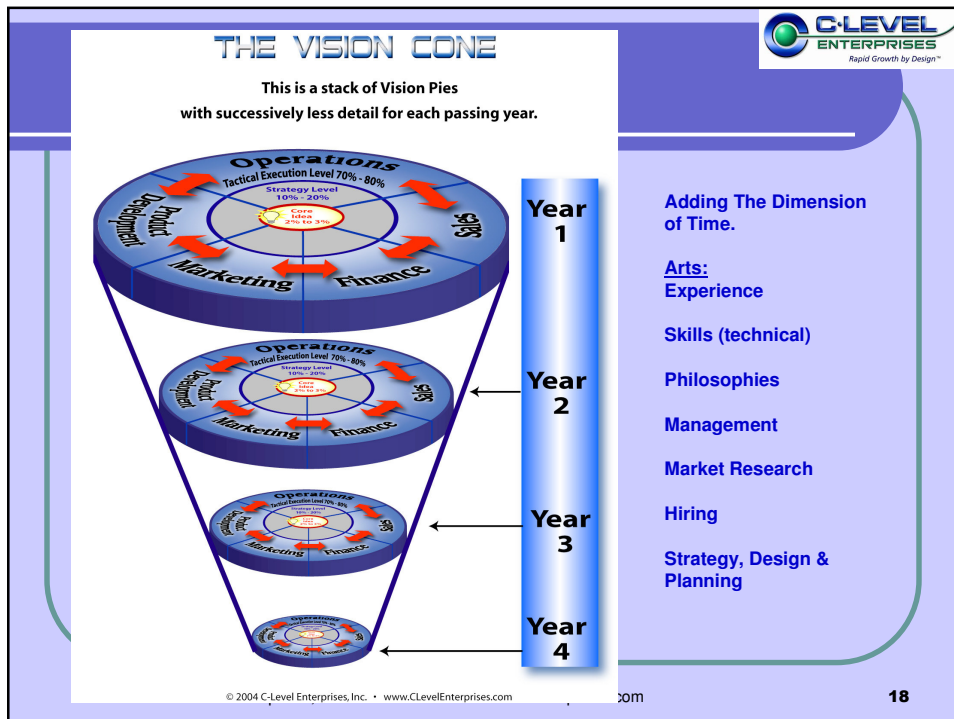
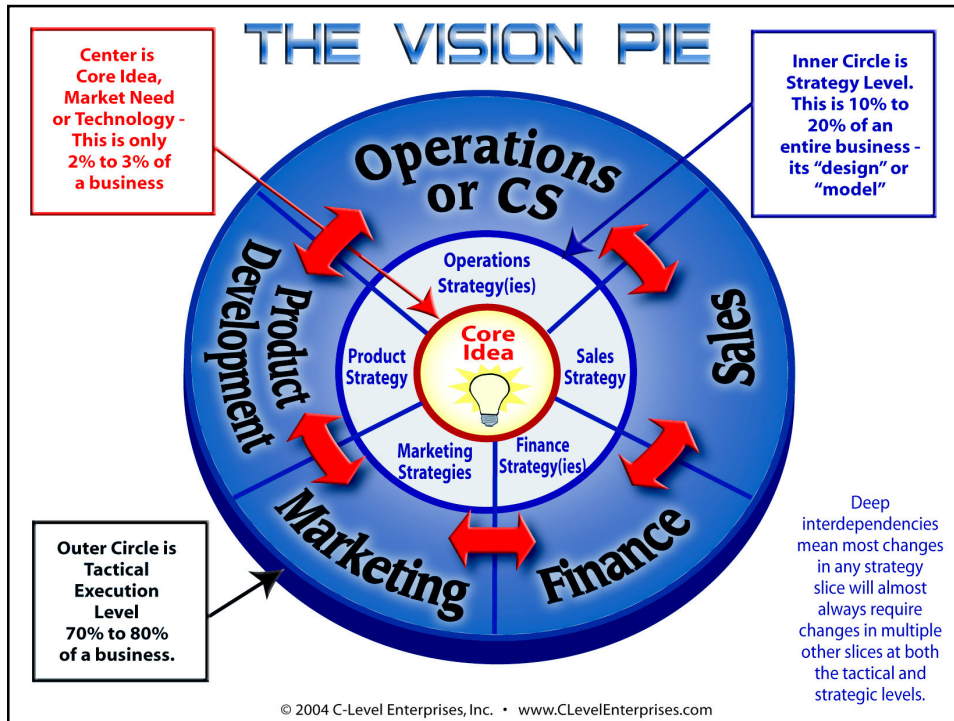
Skills Set Matrix

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

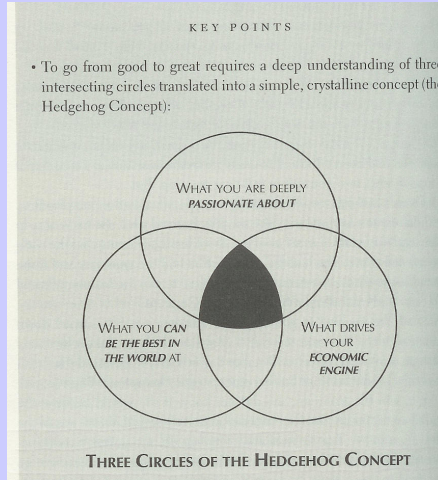
	Plan & Design Strategy	Lead & Oversee	Manage and/ or Supervise	Execute (do it)
Product Development	VP Name (years)			
Marketing	Consultant Name (yrs)			
Finance	PT Virtual VP (yrs)			
Sales	VP Name (yrs)			
Operations	To Be Hired Q1-06			

Strategy Development and Evolution

Models and Processes



Where do we go from here?



Levels of Differentiation

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

S.W.O.T. Analysis

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

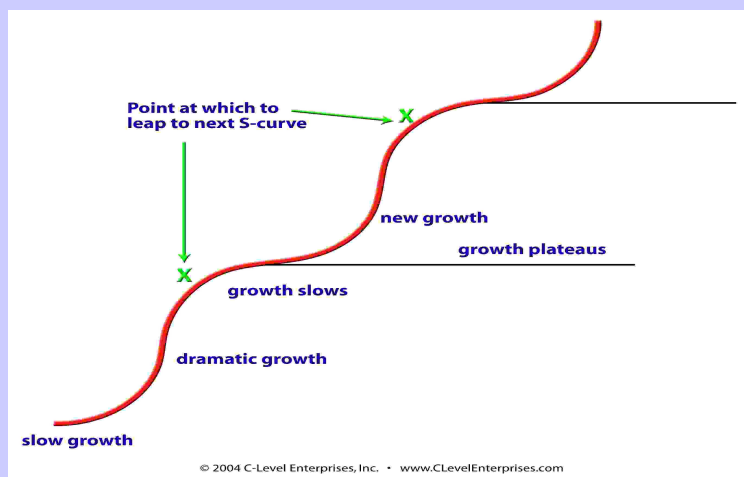
Strengths should drive strategy →

Targets (Where) 3-5 years	Goals (What) 1 year	Actions (How) Quarter	Theme Quarter / Year																																										
<table border="1"> <tr><td>Future Date</td><td></td></tr> <tr><td>Revenues</td><td></td></tr> <tr><td>Profit</td><td></td></tr> <tr><td>Mkt Cap</td><td></td></tr> <tr><td>% Gov't Rev</td><td></td></tr> </table>	Future Date		Revenues		Profit		Mkt Cap		% Gov't Rev		<table border="1"> <tr><td>Year Ending</td><td></td></tr> <tr><td>Revenues</td><td></td></tr> <tr><td>Profit</td><td></td></tr> <tr><td>Gross Margin</td><td></td></tr> <tr><td>Cash</td><td></td></tr> <tr><td>A/R Days (DSO)</td><td></td></tr> </table>	Year Ending		Revenues		Profit		Gross Margin		Cash		A/R Days (DSO)		<table border="1"> <tr><td>Quarter #</td><td></td></tr> <tr><td>Revenues</td><td></td></tr> <tr><td>Profit</td><td></td></tr> <tr><td>Gross Margin</td><td></td></tr> <tr><td>Cash</td><td></td></tr> <tr><td>A/R Days (DSO)</td><td></td></tr> </table>	Quarter #		Revenues		Profit		Gross Margin		Cash		A/R Days (DSO)		<table border="1"> <tr><td>Deadline:</td><td></td></tr> <tr><td>Measurable Target/Critical #</td><td></td></tr> <tr><td>Annual Theme Name</td><td></td></tr> <tr><td>Q1 Theme Actions</td><td></td></tr> </table>	Deadline:		Measurable Target/Critical #		Annual Theme Name		Q1 Theme Actions	
Future Date																																													
Revenues																																													
Profit																																													
Mkt Cap																																													
% Gov't Rev																																													
Year Ending																																													
Revenues																																													
Profit																																													
Gross Margin																																													
Cash																																													
A/R Days (DSO)																																													
Quarter #																																													
Revenues																																													
Profit																																													
Gross Margin																																													
Cash																																													
A/R Days (DSO)																																													
Deadline:																																													
Measurable Target/Critical #																																													
Annual Theme Name																																													
Q1 Theme Actions																																													
Sandbox / Market <table border="1"> <tr><td></td></tr> <tr><td></td></tr> <tr><td></td></tr> </table>				Key Initiatives <table border="1"> <tr><td>1</td><td></td></tr> <tr><td>2</td><td></td></tr> <tr><td>3</td><td></td></tr> <tr><td>4</td><td></td></tr> <tr><td>5</td><td></td></tr> </table>	1		2		3		4		5		Key Priorities <table border="1"> <tr><td>1</td><td></td></tr> <tr><td>2</td><td></td></tr> <tr><td>3</td><td></td></tr> <tr><td>4</td><td></td></tr> <tr><td>5</td><td></td></tr> </table>	1		2		3		4		5																					
1																																													
2																																													
3																																													
4																																													
5																																													
1																																													
2																																													
3																																													
4																																													
5																																													
Key Thrusts/Capabilities 3-5 Year Priorities <table border="1"> <tr><td>1</td></tr> <tr><td>2</td></tr> <tr><td>3</td></tr> <tr><td>4</td></tr> <tr><td>5</td></tr> </table>	1	2	3	4	5																																								
1																																													
2																																													
3																																													
4																																													
5																																													

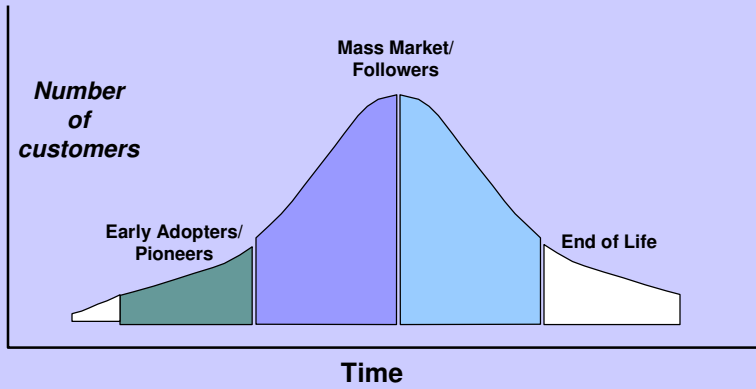
Development Disciplines

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

Inflection Points



From Crossing The Chasm

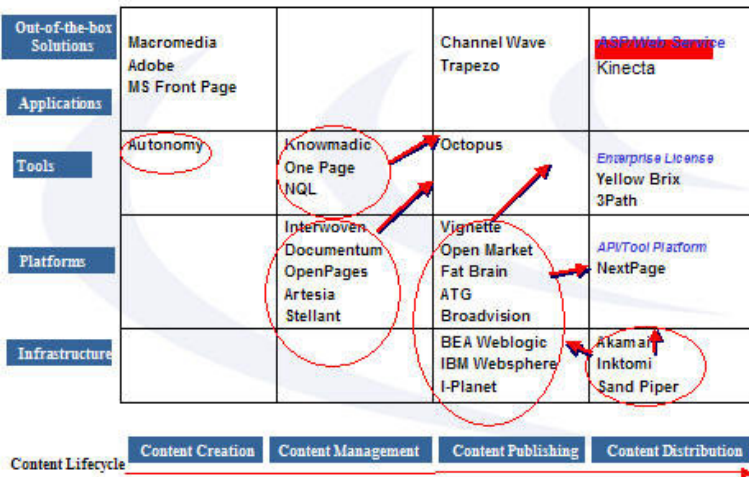


Simple CLM Example

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

More Complex CLM With Direction

Sample Competitive Landscape Map **Condor Enterprises** For Content Management Space in 2001



9/8/2002

©2001 Condor Enterprises. Confidential - Not for Distribution

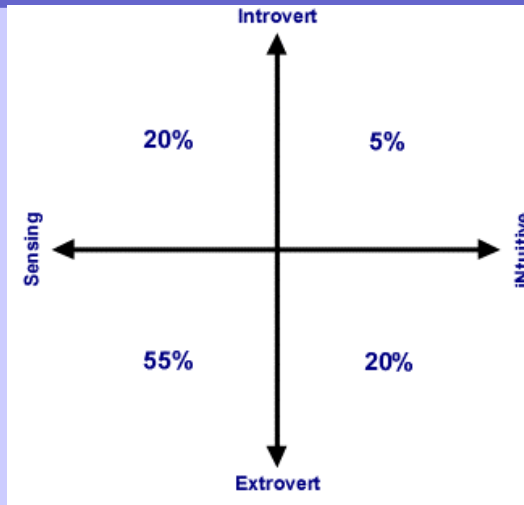
Slide 6

27

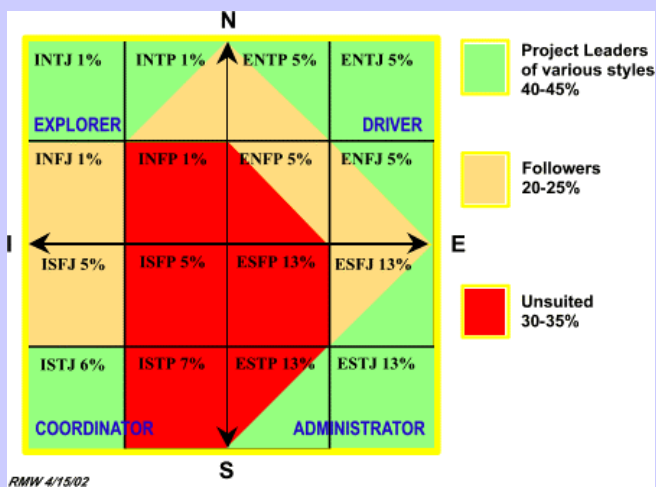
Psychology and Personality Types and Models

Complementary Team Personalities

Personality as It Apply to Selection



The MBTI Grid and Suitability to Project Management Teamwork



RMW 4/15/02

People Mix – HOTS From OMM

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

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

DISC

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

Learning Types

- Visual - Fast
 - Auditory - Medium
 - Kinesthetic - Slow
- Important to recognize people by these, as they are best managed by what they value most, not what you value

Corporate Culture

Corporate Culture & Organizational Dev.

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

- a. Ownership
- b. Accountability
- c. Cost Consciousness
- d. Participation
- e. Sense of Impact (and control over results)
- f. Sense of Urgency

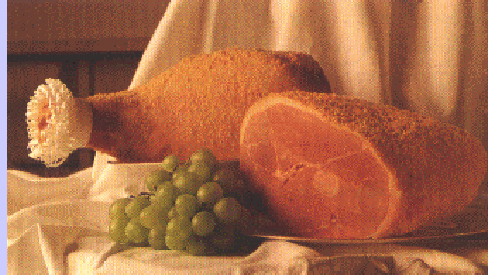
This is NOT all about compensation, though some incentive compensation initiatives that reward success and good corporate values are important.

A Learning Organization

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

What is Required For Smooth Evolution?

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



Executive Development

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

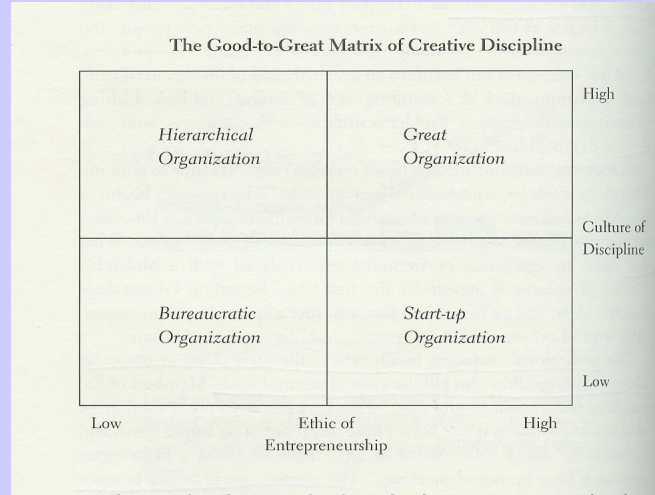
Good Metrics Allow

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

Having a Custom Dashboard to Control and Improve Your Business

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

The Cultural Alternatives



Solution: Skunkworks Strategies

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



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

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

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

Finance People In General

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

Financial Models

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

Your Model & Simulation

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

Finding Your Virtuous Circle

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

KEY LEADERSHIP FOCUS AT EACH STAGE OF COMPANY GROWTH

1 RAW STARTUP

Specific expertise, drive and strong ability to work with people 1:1 and in smaller groups. "Vision". Attention to detail.

2 EARLY REVENUE

Selling abilities and ability to identify the best people and empathize with customer needs to adjust the business model.

3 ESTABLISHED

"Professional Management" skills to add processes and systematize for replication on a larger scale.

4 GROWTH EXPANSION

Ability to focus on big picture and not get wrapped up in details. Deal making, best practices and standards that can scale the business further.

5 MATURE

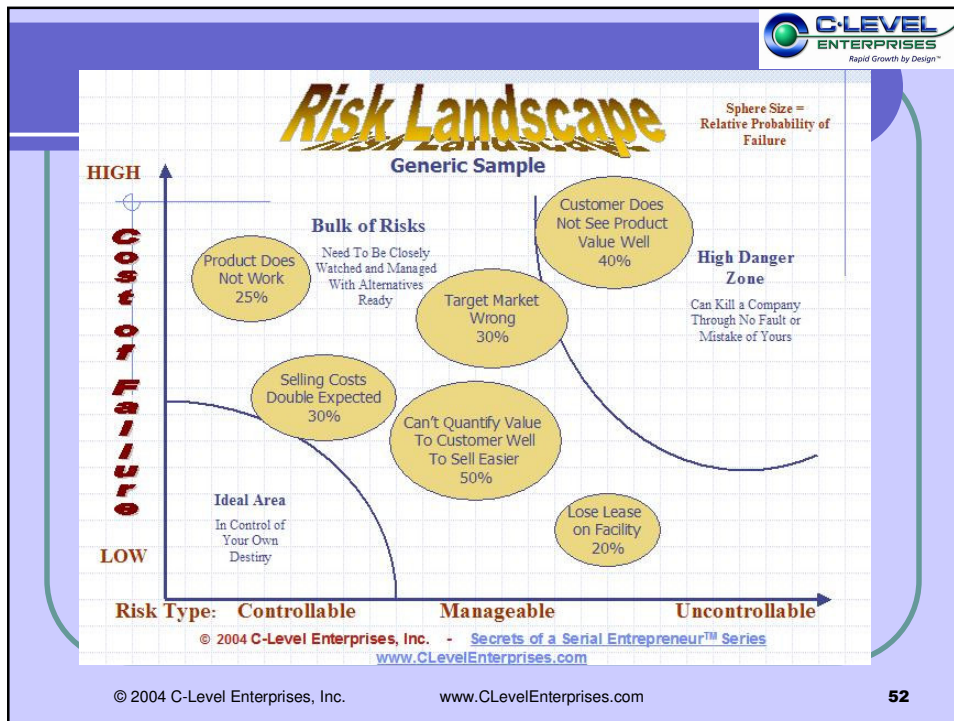
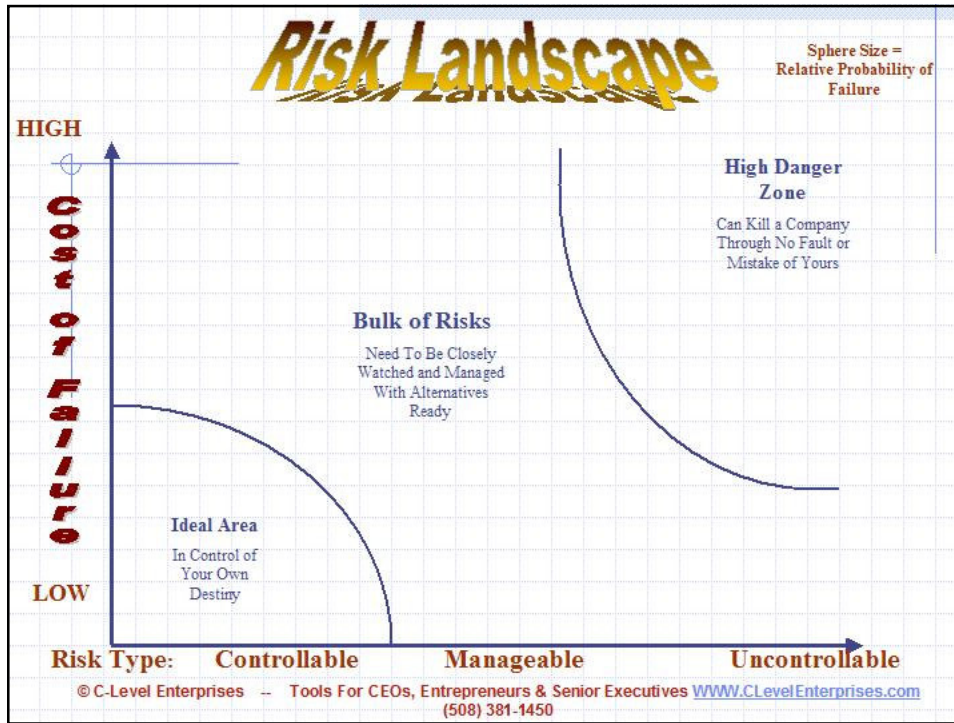
Political and communications skills with the ability to focus on longer term planning, goals and to select and hire the best people for a mature organizational environment.

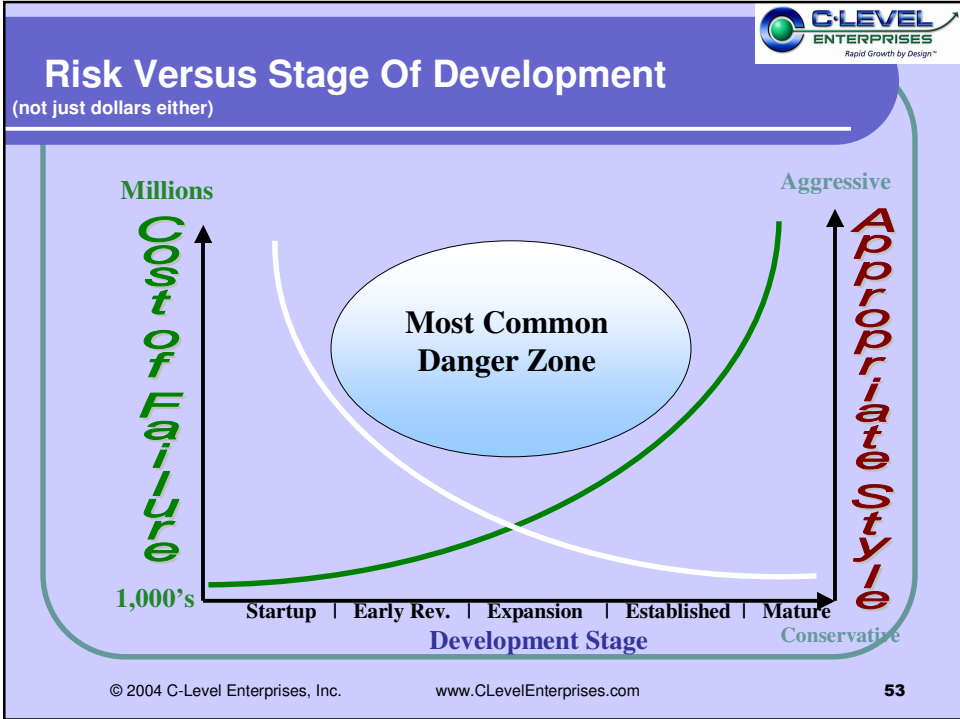
Classic Growth Mistakes That Most Companies Make (Stages 1-3)

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

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

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





Management Models

© 2004 C-Level Enterprises, Inc. www.CLevelEnterprises.com **54**

What Management Methods When?

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

Mgt. By Wandering Around at all times and levels

Pulling it All Together



Management Philosophy & Systems

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

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

10. Employee Development Ladder

11. Personality to Task Matching

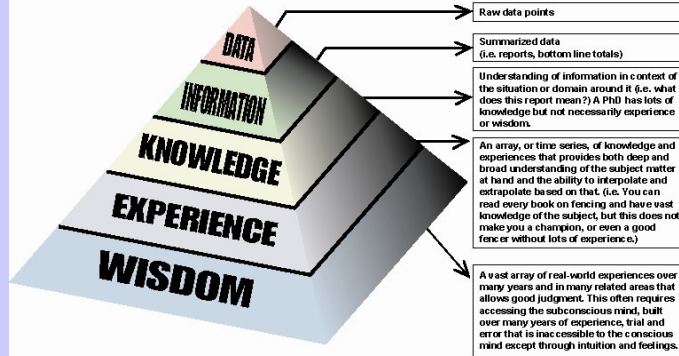
Types of Tasks

Solutions | Strategies | Analysis | Results/Doers

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

Leveraging Real Wisdom

THE WISDOM PYRAMID



Business Design and Optimization Tools

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

Business Design and Optimization Tools (con't)



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

© 2004 C-Level Enterprises, Inc.

www.CLevelEnterprises.com

59

Let's Open It Up for Questions



Next CEO Boot Camp Orlando Feb. 27 to March 1st
 Details at www.CLevelBootCamp.Com

Coaching Program at www.CLevelEnterprises.com

(508) 381-1450 Bob@CLevelEnterprises.com

© 2004 C-Level Enterprises, Inc.

www.CLevelEnterprises.com

60