



EXTERNAL MANAGEMENT IN SMEs

How to efficiently implement it

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JÖNKÖPING INTERNATIONAL BUSINESS SCHOOL



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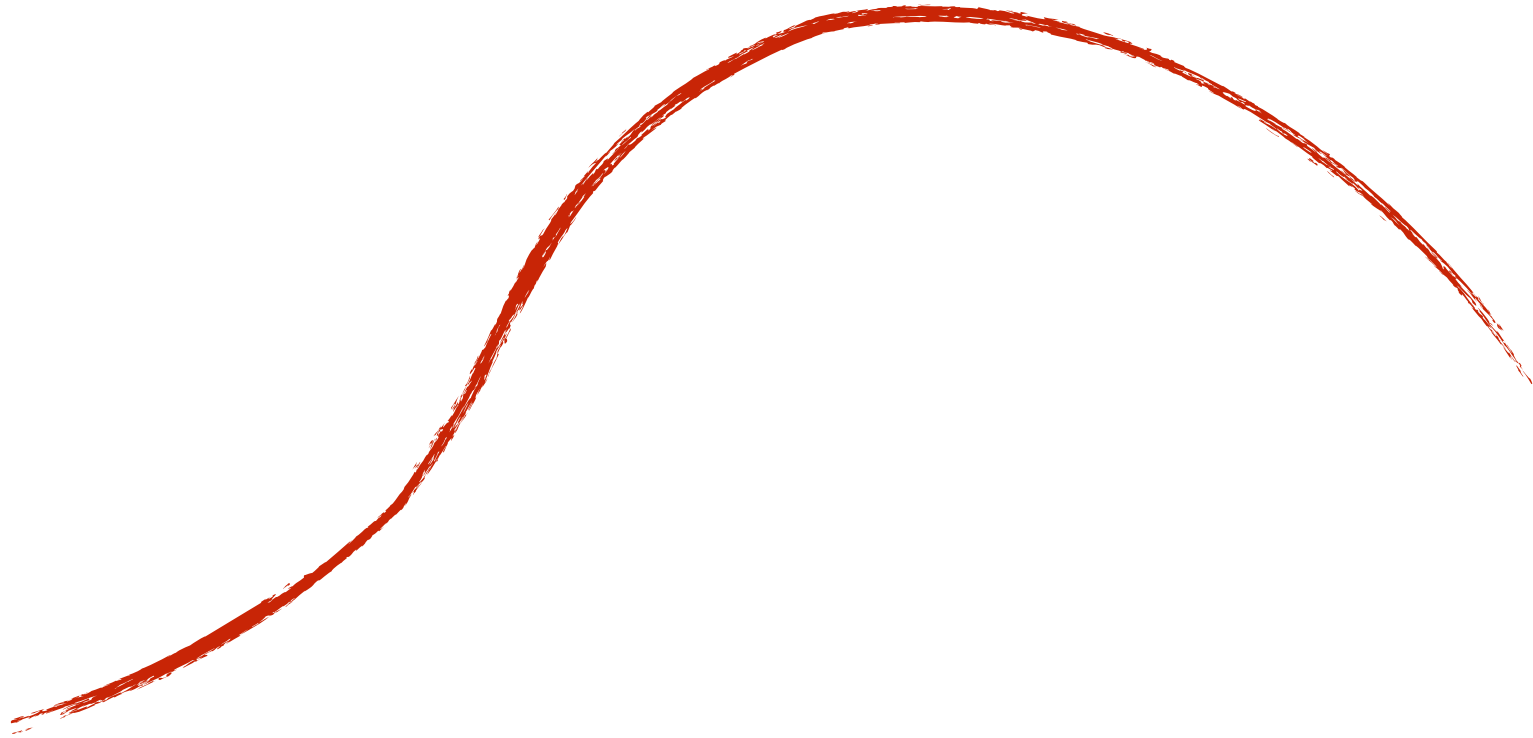


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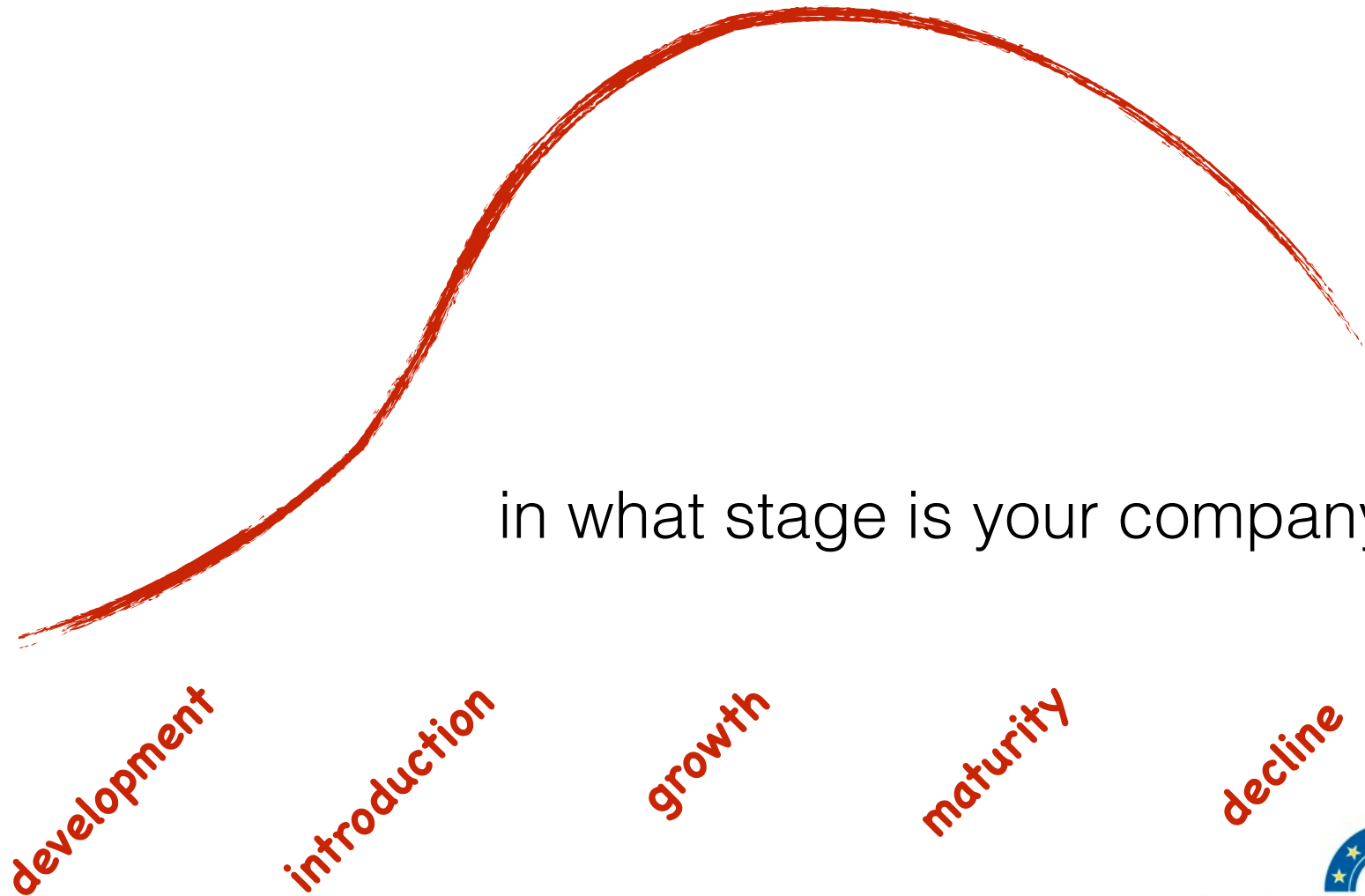


What is this?



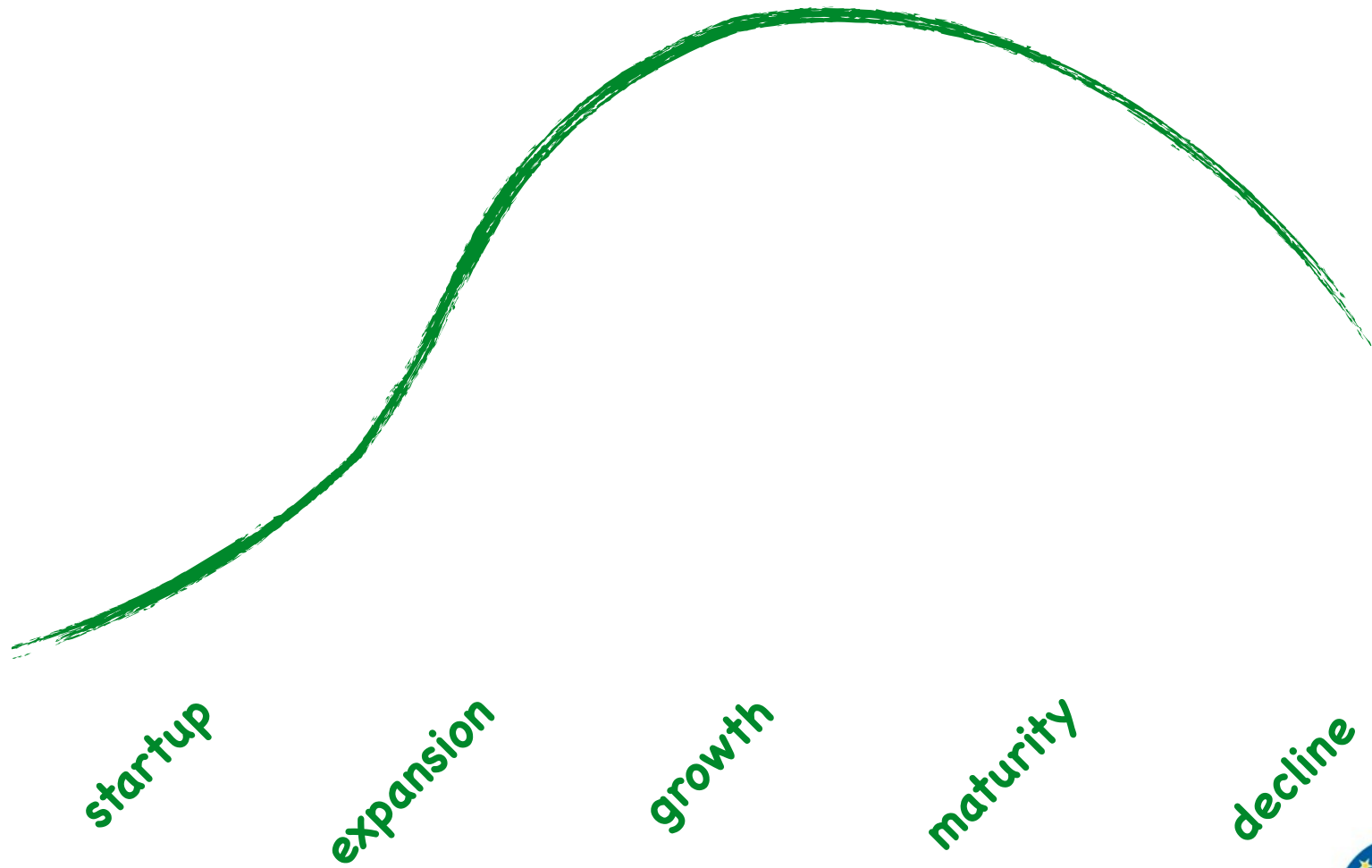


The lifecycle of a product



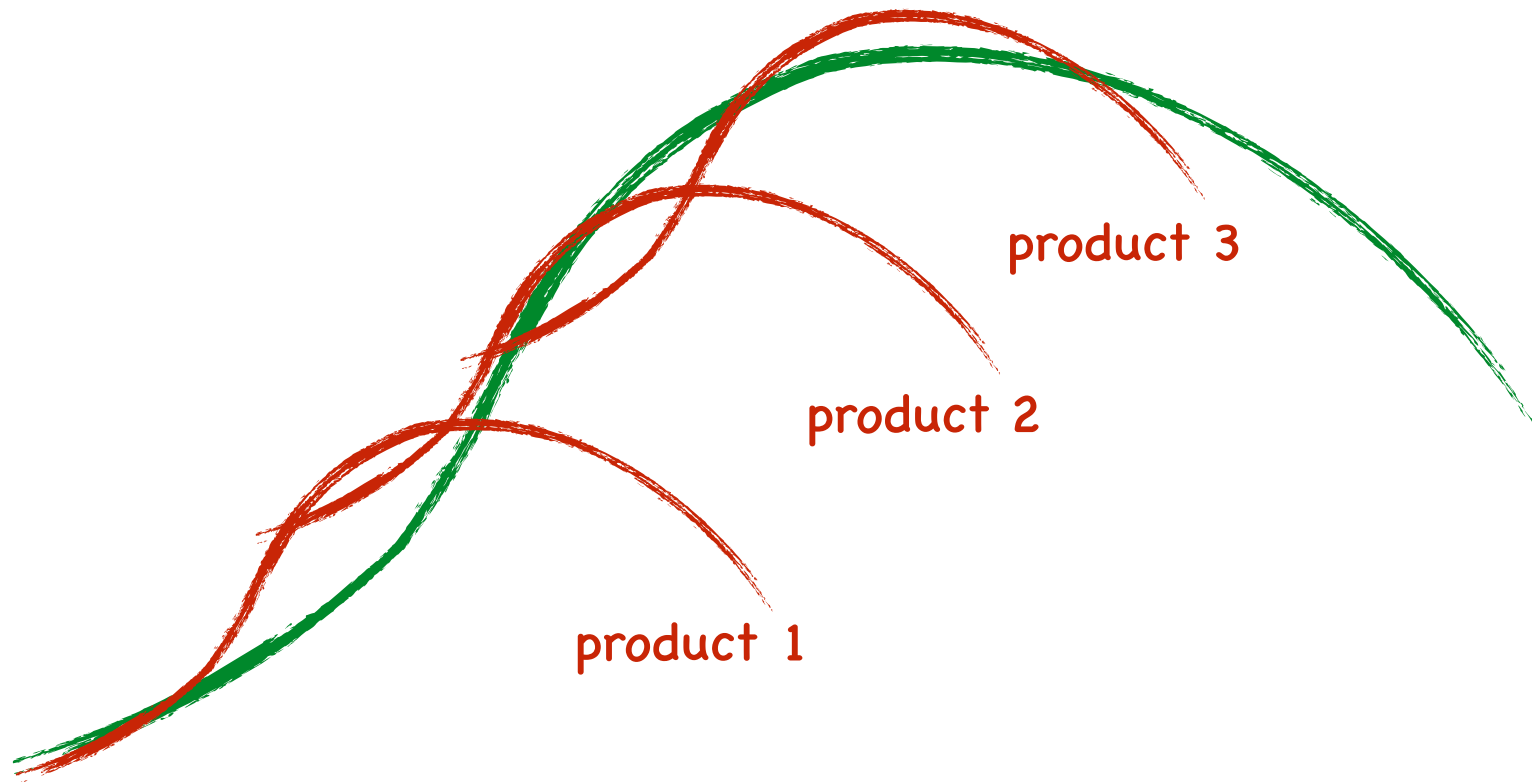
Greiner (1973)

The lifecycle of a company



Rogers (1962)

And both together...

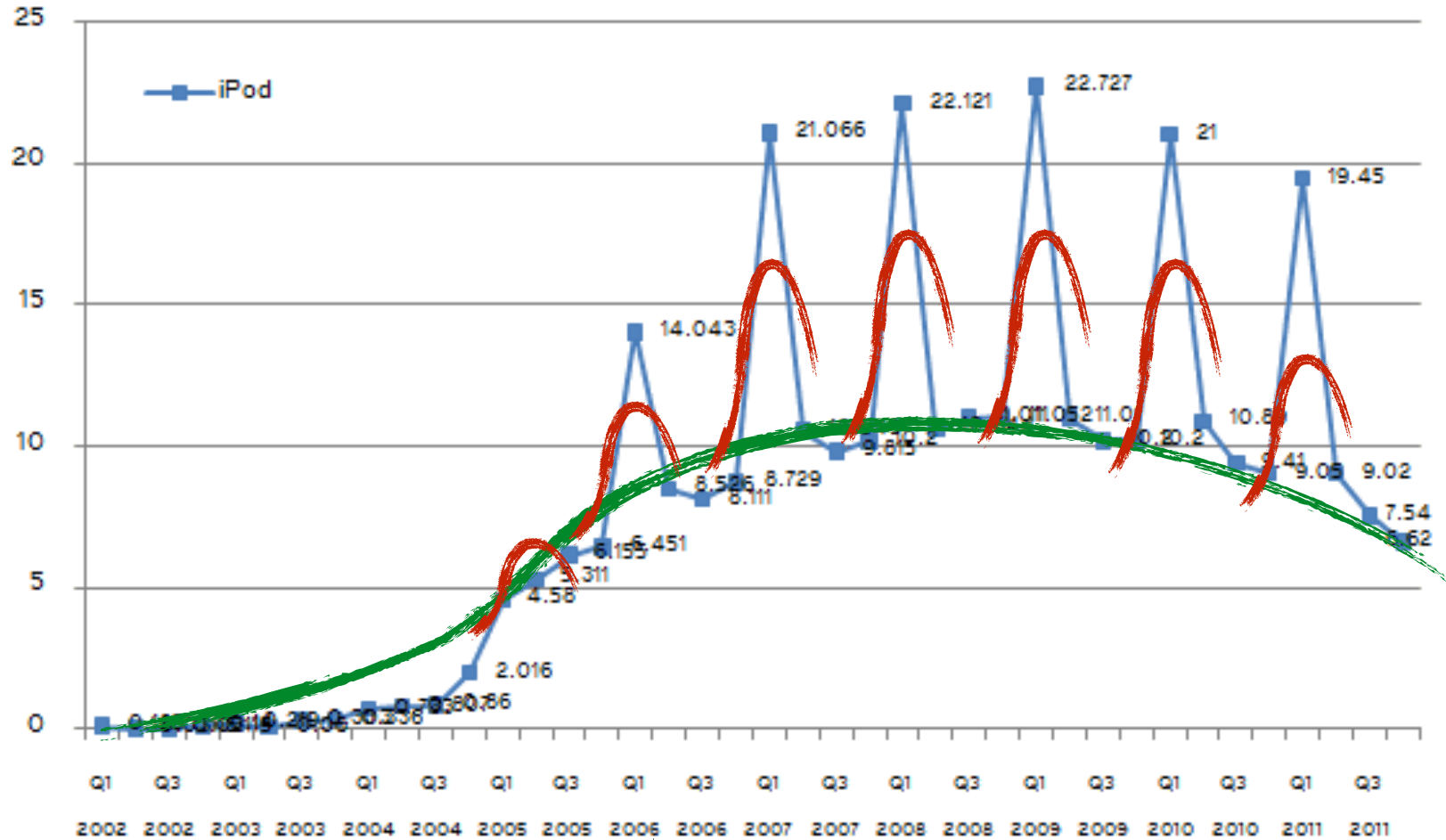


But the success of a company is a consequence of the success of multiple product (or services) introduced in different moments innovating the previous standards

An example...

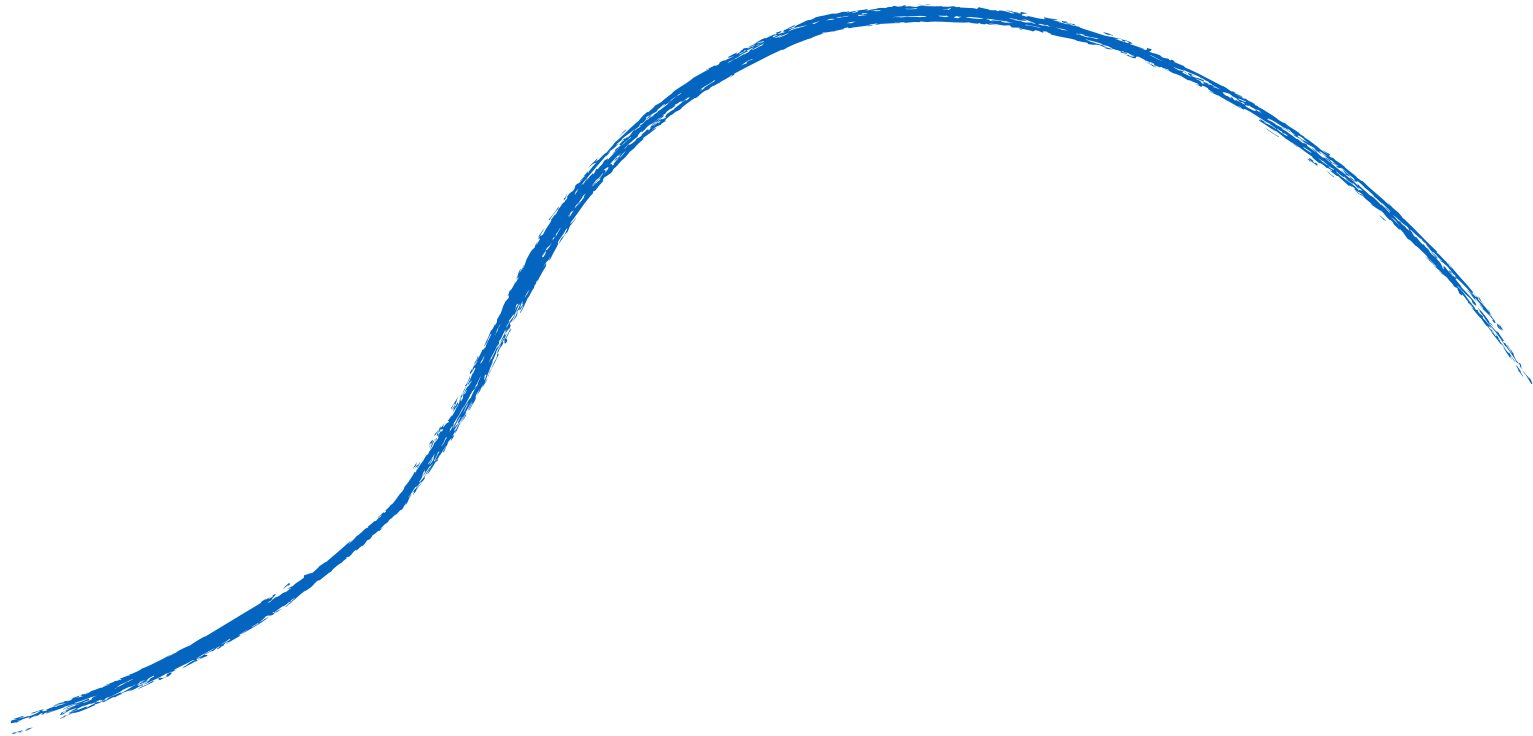
Sales of various Apple iPod products since launch

All numbers in millions





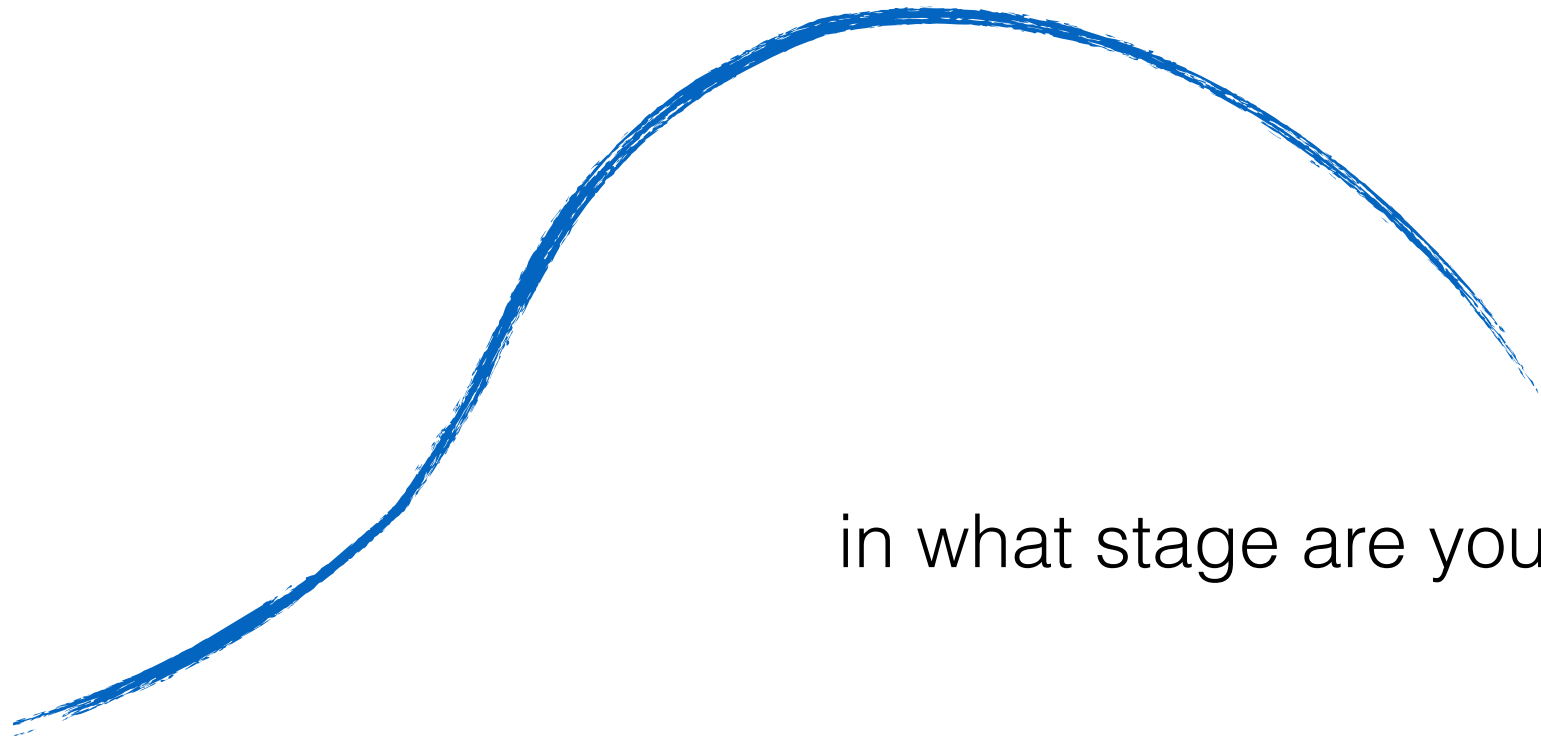
And this? What is it?



the lifecycle of the entrepreneur!



The lifecycle of an entrepreneur



in what stage are you?

startup
innovator/founder

develop
planner/organizer

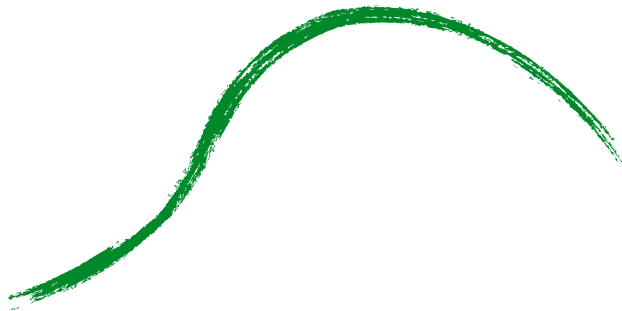
expansion
realizer

maturity
administrator

decline
retirement

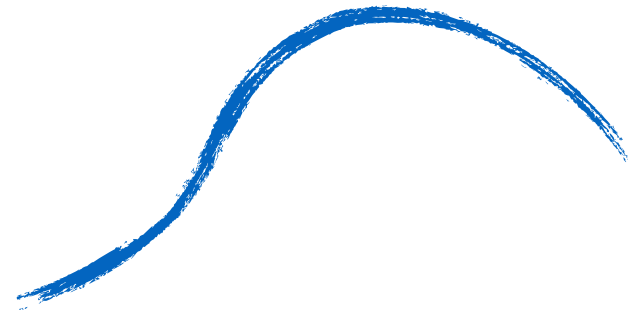
A doubt...

Are the life cycle of the company and the lifecycle of the entrepreneur the same thing?



company

=

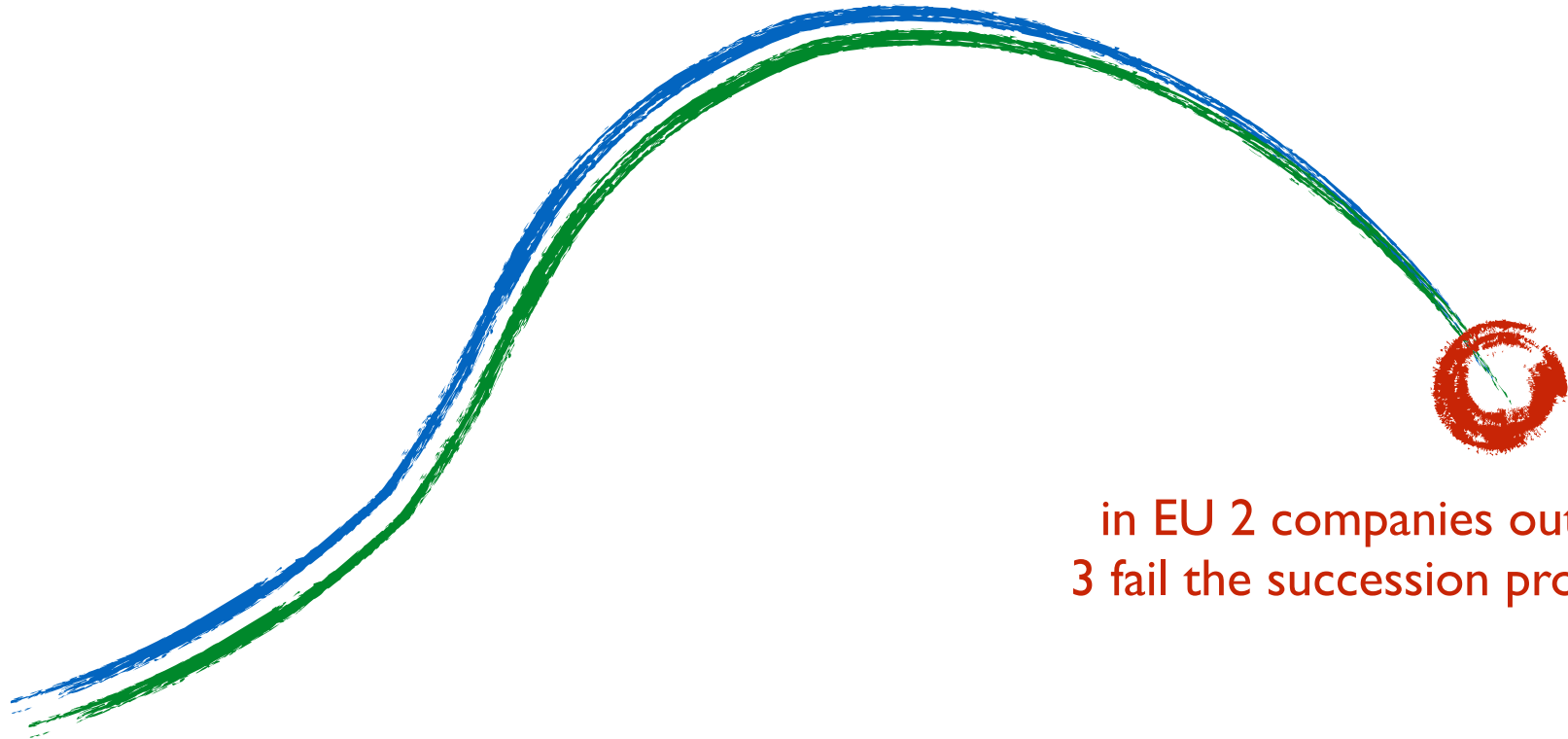


entrepreneur

?



The answer... YES

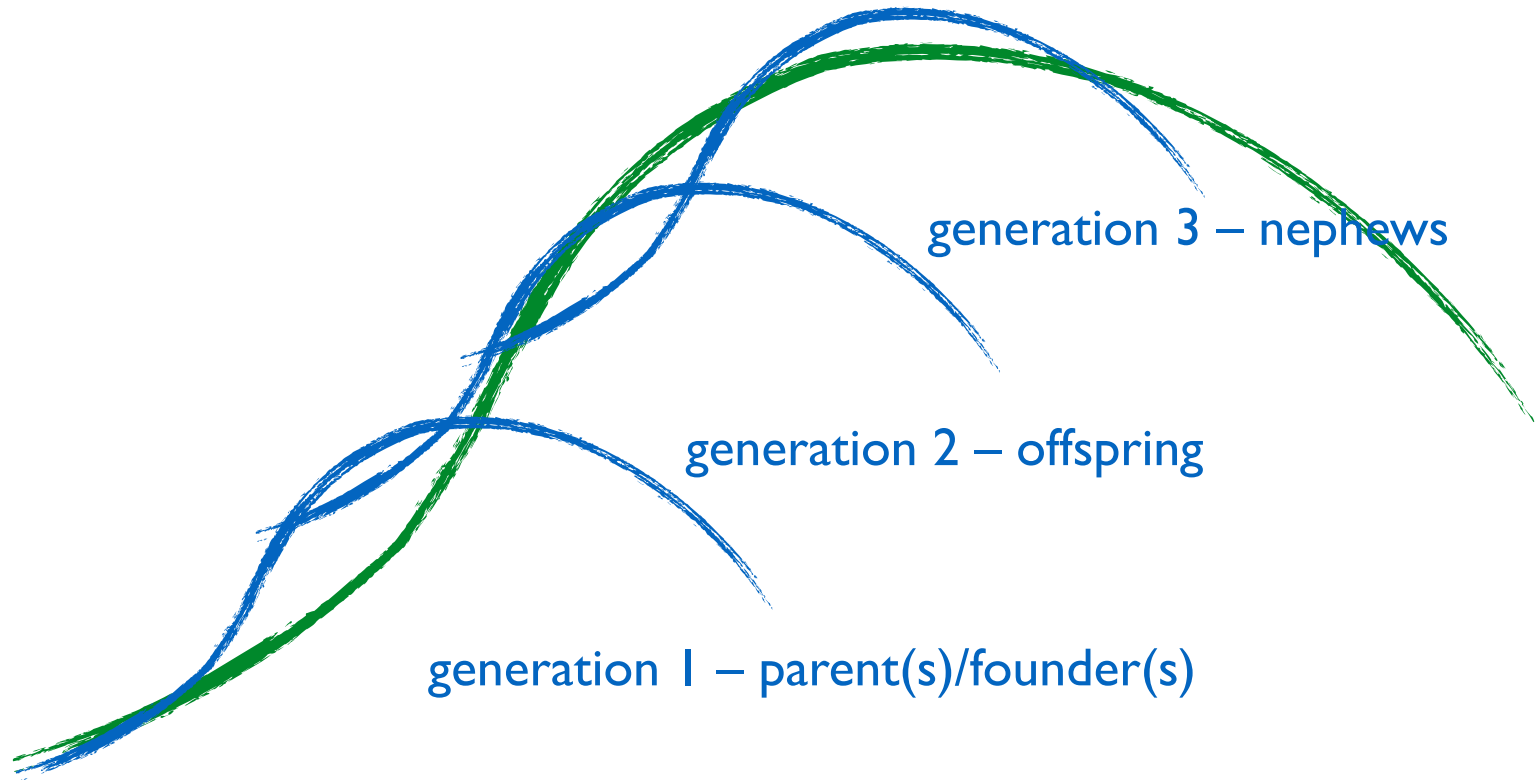


in EU 2 companies out of
3 fail the succession process

sadly, too often the answer is yes!



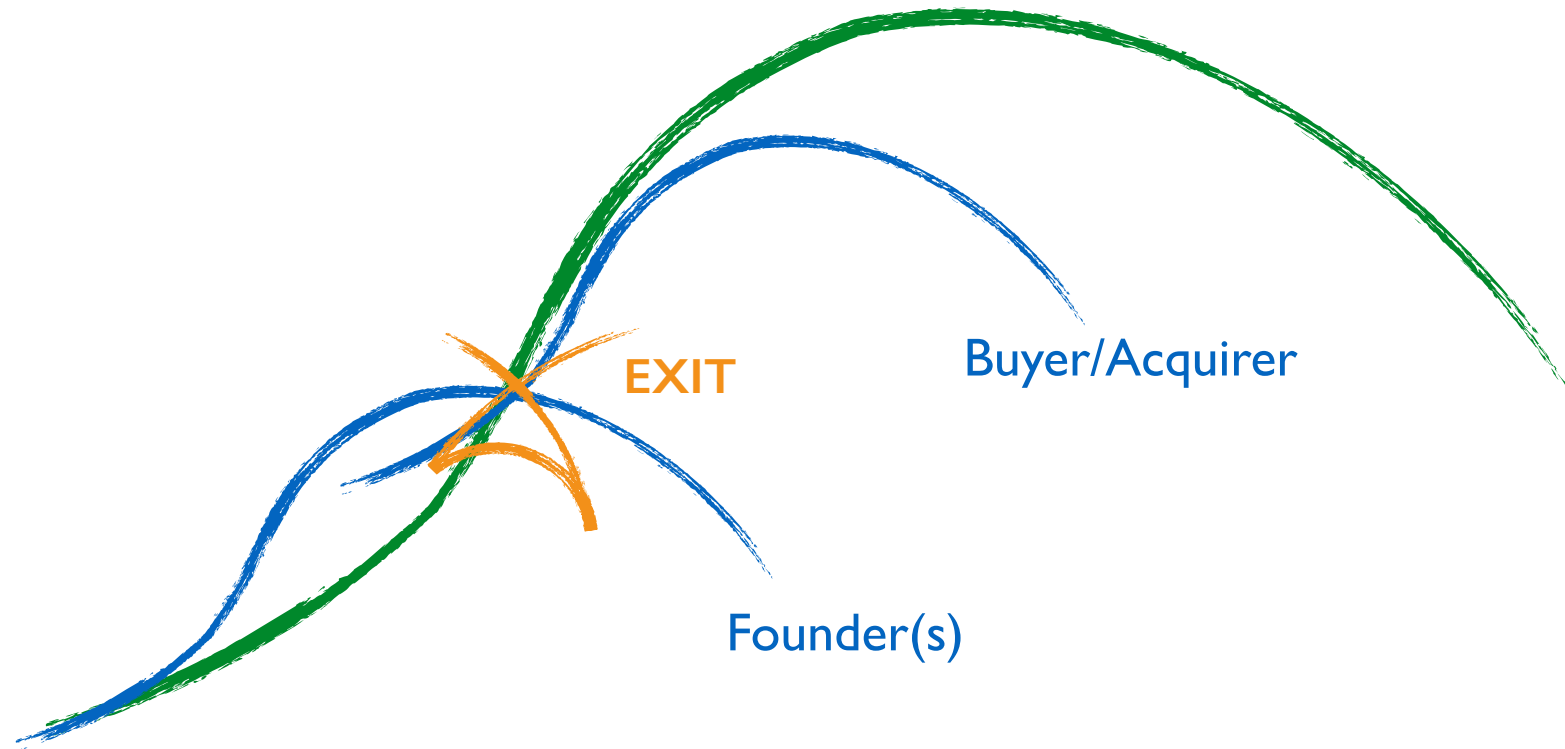
Is it always like this? NO (I)



For example, this image can represent a 3rd generation family company...



Is it always like this? NO (2)

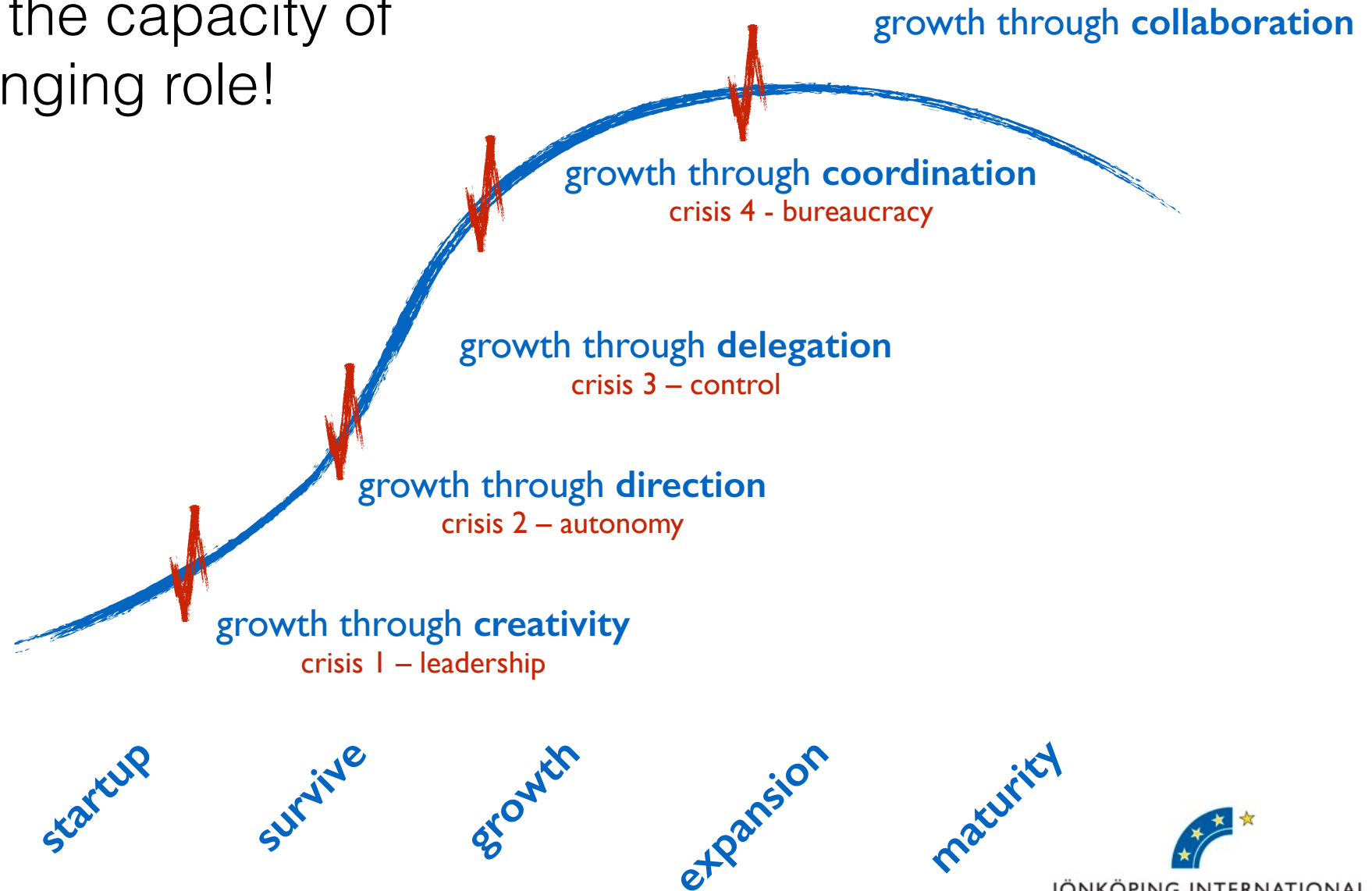


...or in this case we have an exit,
i.e. the “sell option”



What is the secret?

It is the capacity of changing role!



Scott & Bruce (1987)

What is the role of the entrepreneur?



| Business environment | Style | Family and organization environment |
|--|---|--|
| <ul style="list-style-type: none"> - startup - owner-manager - survival mode - rapid, significant change - low trust level | <p style="text-align: center;">DIRECTING LEADER</p> <ul style="list-style-type: none"> - hands on - provides instructions to followers– - obvious expertise - direct/close supervision | <ul style="list-style-type: none"> - first generation family - inexperienced employees - lack of confidence in the team - limited competences workers |
| <ul style="list-style-type: none"> - transfer of ownership goals - focus on the future - change is not time critical - development as a goal - cultural change | <p style="text-align: center;">COACHING LEADER</p> <ul style="list-style-type: none"> - transformational - focus on personal and team development - teacher/mentor | <ul style="list-style-type: none"> - respect for leader's expertise is widespread - support development of skilled workers - preparation next-generation leadership |
| <ul style="list-style-type: none"> - ownership transfer plan - multiple owners and generations - innovation and flexibility valued - technical and complex work - objectives are clear and achievable | <p style="text-align: center;">COUNSELING LEADER</p> <ul style="list-style-type: none"> - strategic - focus on big picture issues - goal oriented | <ul style="list-style-type: none"> - next generation leader(s) chosen and motivated to lead - experienced management team - low resistance to change |
| <ul style="list-style-type: none"> - sibling team/cousins consortium - sustainable competitive advantage - continuous improvement process | <p style="text-align: center;">DELEGATING LEADER</p> <ul style="list-style-type: none"> - visionary - trust in leadership team | <ul style="list-style-type: none"> - next-generation leader in place - experienced management team - entrepreneurial culture |



What delegation means?

1. choosing the right person for the task (capable and prepared)
2. explain clear objective and make sure they are understood
3. be sure that the delegate has all the information needed
4. give to the delegate the authority for accomplishing the task
5. let the delegate find his/her own way to accomplish the task
6. as leader, retain the accountability of the results



What good managers can do for your company?

- enable the business to grow
- enhance standards of professionalism
- bring new ideas
- complement the entrepreneur's skills
- strengthen the company by supporting the strategy development process
- mentor the next generation
- support the succession process



What managers want?

- responsibilities commensurate to their talent
- a chance to make the difference in your company
- a good relationship with your children
- fair treatment
- involvement in strategic planning and decision making
- information and open communication
- to be listened
- recognition and praise
- a relationship with the outside world



Why managers leave?

- insufficient opportunities for advancement and growth
- lack of opportunity for creating personal wealth
- poor fit with the family business culture
- abuse of the business by the family
- destructive nepotism



Best practices for managing key managers

- have a compensation policy that applies to all employees
- create a compensation system that helps managers in thinking, acting, and feeling like owners
- share complete information
- involve key managers in strategic planning and decisions
- communicate clearly the business' mission, goals, and values
- have a family employment policy
- communicate clearly family succession plans



Good Luck!

