



DIRECTING GROWTH: LEADING YOUR BUSINESS FROM GOOD TO GREAT

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Introduction

As a medium-sized business owner, it is likely you have launched your company based on a particular passion, skill, expertise or great idea. In the process, you have gone from being an entrepreneur to a company director, leading your company through the first stages of growth.

Now, with more experience and a thriving medium enterprise, you are in a position to improve yourself as a company leader, and subsequently, the business.

Being a proficient director is crucial to running a strategic and successful medium enterprise, and to push through any growth plateaus to take your company to even greater heights.

To do this, it is vital to “professionalise your business”. This means setting up the framework and processes necessary to run your business effectively and efficiently. It involves stopping to assess where your business is at, the role you play within the company, and what you need to do to prepare the company for greater productivity and growth.

This approach could mean building up your team so that you can step back and oversee

operations, enabling you to spend more time ‘on the business’ as opposed to ‘in the business’. It could also mean focusing on growth strategies and building an innovation framework to ensure your business remains competitive.

Professionalising your business in this way will not only aid productivity, but it will ultimately make the company more attractive when the time comes to sell.

This *SmartCompany* eBook, brought to you by the Australian Institute of Company Directors and KPMG, will help you consider your strategy, leadership skills, innovation tactics and how to work towards a succession plan.

We speak to experts who will show you how mid-tier business owners can lead their company from a stagnant position into growth, and how you personally can go from being a good director to a great one.

We also speak to C3 Business Solutions managing partner, Cameron Wall, who has taken his mid-size company from foundation to 120 staff, and gained lots of experience and advice to offer along the way.

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1. Lead through a growth plateau

There are a range of strategic and innovative tactics a director can take to move their business out of a growth plateau, including big picture activities such as:

- Strategic planning;
- Conducting market research;
- And embracing innovation.

These could lead to external activities such as:

- Sourcing capital;
- Partnerships;
- And finding new markets.

Alistair Gordon, a consultant to entrepreneurs and Expert Panellist, Company Directors Directing Growth Program says: “In terms of growth plateaus, we see entrepreneurs who are the life, soul, passion and energy of their business. They’re the reason why the business gets to level one – an established business with proper clients and profitable revenue. The challenge for many businesses is how to get to level two, where the business is bigger, still very profitable, growing rapidly and – what’s key – doesn’t revolve around the founders. Entrepreneurs are the reason businesses are successful to stage one, but are also the impediment to moving to stage two,” he explains.

Business owners need to professionalise their business. This means moving on from having the owner as the centre of the business and needing to be hands-on in every aspect, to a situation where the business can run smoothly without the owner at hand, and ensuring that all strategies are supportive

of productivity, efficiency and growth. The founding entrepreneurs must put in place staff development programs, so that they can step aside and become more like consultants.

“This allows them to focus on one part of the business like innovation or a particular technical area, and enables them to bring in other people to run other parts of the business,” says Gordon.

“What’s crucial here is that owners need to let go and trust that other people can do as good a job as they can.

They also have to be open to the idea that what they did to get to level one might not be the way to get to level two. In other words, they need to be open to new ideas from other people.”

Most successful entrepreneurs start by building a board of advisers with differing expertise. They also start looking to hire people they can trust to run the business and take it to the next level.

“Getting the right balance is important and hiring people you’re prepared to listen to is really critical. You need to do an assessment on the needs of the business, where your strengths are, where the gaps are and you’ve got to hire to fill those gaps,” he explains.

Julia Bickerstaff, who facilitates strategic planning sessions with medium-sized businesses and runs the Business Bakery (an online school for microbusinesses), has the following tips for leading through a growth plateau:

- Strategise for your business, with three and five year goals;

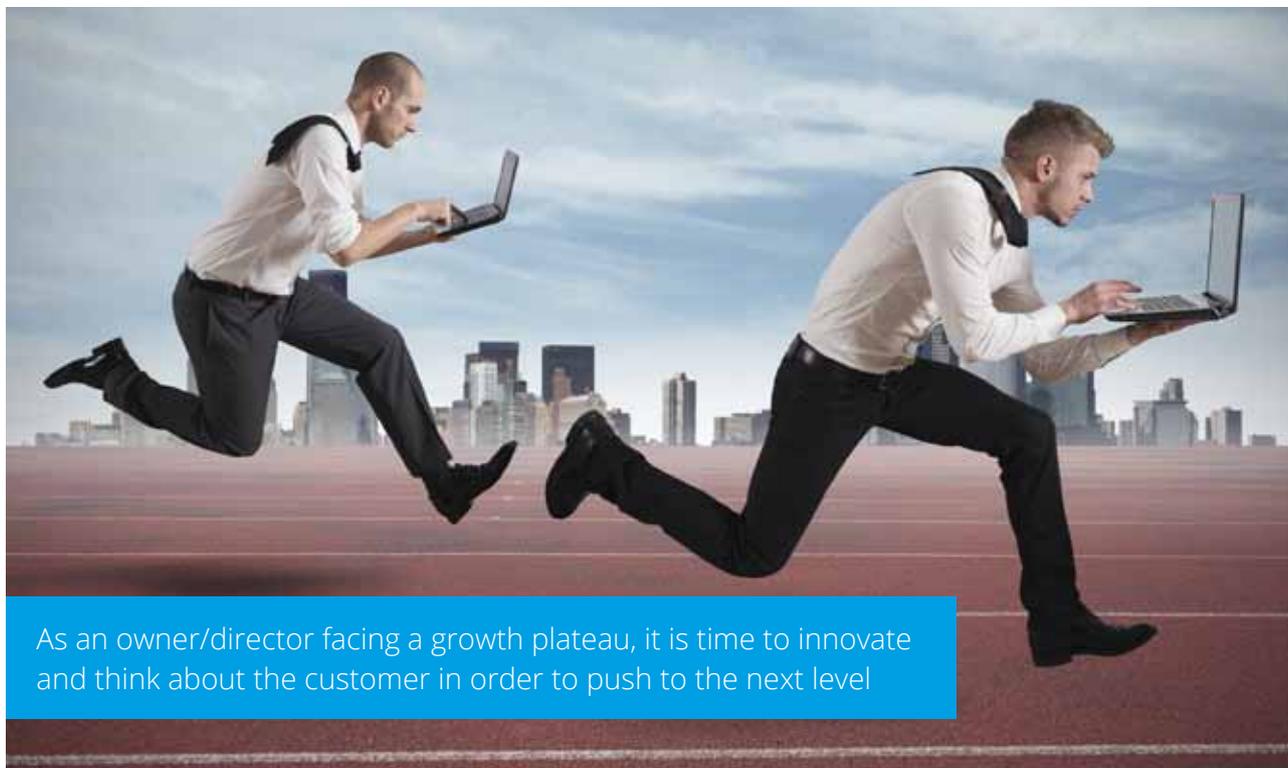
- Have innovation on the agenda of the business in every management meeting or quarterly strategic meeting;
- Focus on three key priorities for the business and how you're going to get there. Ask questions about how you can do this innovatively;
- Embrace the idea of spending 100 days on a particular new project or innovation. Set priorities around it, resources and accountability;
- Brainstorm with an executive management team but have a board of external directors to offer insight on what's happening in other companies, the business environment generally and to ask good questions of the management team;

- The best learnings come from your own customers. As consumers, we say one thing but do another. Spend time with your customers and assess how they interact with your product or service.



SmartCompany contributor and workplace psychologist Eve Ash offers her 10 ways to attract and keep the best talent.

Click [here](#) for more.



As an owner/director facing a growth plateau, it is time to innovate and think about the customer in order to push to the next level

2. Build innovation into your business

Being agile and adapting quickly is crucial for innovation and keeping your finger on the pulse. Alistair Gordon says owner directors need to execute plans, be a catalyst for change and drive this change throughout their business.

“You need to constantly reinvent the way you provide value to your customers”, he reveals. “Know what your customers want today, next week and next year. These skills aren’t just for senior leaders – you need to hire and develop these skills in people throughout the organisation.”

Mark Hawkins, principal consultant at innovation consultancy Inventium, agrees that businesses must be customer centric in their approach to innovation.

“Instead of organisations saying how can we improve our services or products, they need to look at what their customers are trying to get done and what their current levels of frustrations are around this – and ultimately, how can the business help to remove these? It’s important that organisations think about their customers and how they can deliver a better value proposition to them,” he says.

Hawkins says innovation always needs to be strategic.

“If you see a new technology that in a vacuum seems great, you need to think about how you can apply this technology to what you do. If it doesn’t solve a customer’s problem, it will tank. It’s development for development’s sake.

“You need to ask yourself, how does what we’re putting on the table meet our customers’ needs better than what’s currently available?”

Megatrends

Entrepreneur, investor and Expert Panellist, Company Directors Directing Growth Program Branden Dekenah believes there are four key megatrends that are affecting the economy and driving the importance and need for innovation:

1. Mobility

Most people are connected via mobile devices, either their phone or tablet. Business owners need to factor in how this affects their offering and the way they communicate with their audience.

2. Social

Data is being aggregated on a scale that’s never been done before. A business can now correlate information on their customers with readily available public information (e.g. from Facebook), to find out something they didn’t know before. It’s about how to sell more to your audience.

3. Big data

This is about aggregating a number of data sets to work out a trend, buying pattern or information to help you sell more products or services. Big data helps you be more competitive and solve customers’ problems.

4. The Cloud

The Cloud means businesses don't need to own technology from an operational perspective. Not owning your own hardware and leasing everything means you don't need to pay a huge outlay for software and IT management – everything's rented so you can just claim it as an expense.

The digital age

Branden Dekenah believes that social media provides a new channel of communication for most businesses. It's a road to every single person who's digitally connected.

"That brings challenges, for example you've got to manage issues when they come up. If someone's disgruntled and they vent on Twitter, how do you deal with that?" he asks.

Simon Waller, a digital coach who trains people on how to use digital tools effectively for business, agrees that there's been a big push on social technologies – but how people engage with them isn't that effective. Waller explains that before business owners can have the competency to assess the viability

Mark Hawkins shares some of his insights on innovation:

- Understand the emerging trends that are going on in the industry and environment that you operate in;
- Always bring innovation back to your customers. Think about why they buy what they do from you and what job you're helping them to get done. Then assess whether there's new technologies you can adopt to help them do these things faster or better;
- With social media, don't just jump in and assume there's relevance just because an audience is there. Strategise what you want to get out of it. If it's just a marketing platform, every study has shown that just doesn't work. Your social media strategy has to be sophisticated to be effective.

Resources for growth

Our **Business Owner Resource Centre** is packed with practical information, resources and tools developed to support you in professionalising and growing your mid-sized business.

Check out our Business Owner Resource Centre [➤](#)

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TOP TIP: CREATE A CULTURE OF COMMUNICATION

Julia Bickerstaff believes that innovation isn't about embracing the most cutting edge thing – it's about embracing what's relevant to your specific industry and customers. A lot of this is harnessed through people within your organisation who are more savvy with what technologies are up and coming.

"I think businesses do well around this through regular lunchtime learnings.

It's a chance to learn about new things, and encourage your team to think about how you can adapt these ideas to your business. Remember, the best ideas don't necessarily come from the most senior people," she says.

As an owner director, you need to continuously send a message out that you're interested in new technologies and need your team to pitch in.

More great ideas

Global futurist and innovation strategist Anders Sorman-Nilsson recently spoke at a *SmartCompany* business seminar about [how to win the digital minds of tomorrow's consumer](#).

Dennis Benjamin is the founder and chief executive of mobile apps specialists AppsWiz and the Informatel Group. He recently wrote about Apps for *SmartCompany*, asking the question, [could an app change your business life?](#)



Innovation needs to be built into the company culture so that it is not only the leaders creating new ideas

AIM
EXCEL
REACH
PROGRESS
DYNAMIC
INNOVATE
CHALLENGE
PERFORMANCE

STRATEGY
EXPAND
EVOLVE
VISION
OPTIMISE
CONNECT
DIRECTION
LEAD
SUSTAINABLE
GROWTH
LEVERAGE
BOOST
DRIVE
TRANSFORM
SURGE
EXPERT
DELIVER
MEASURE
CHANGE
DEVELOP
MATURE

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with our Directing Growth Program

This new one-year program brings together the latest thinking, an expert business owner panel and a community of like-minded owners and directors of mid-sized businesses to find new and sustainable routes to growth.

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3. Harness your leadership

Inspiring staff to understand and be committed to your vision is what leadership is all about. Or in cases where you identify you may not in fact be the best to lead but thrive in other roles, it could be that bringing in the skills or appointing the right person to lead is the right move. This person needs to be passionate and proactive, as a great leader needs to set the direction for the business, facilitate change and have a long-term vision for the growth of the company.

Pollyanna Lenkic, founder of Perspectives Coaching, who coaches and mentors in the high performance team space, says it's crucial for business leaders to focus on three things: self, others and climate.

Using this three phases model, Lenkic encourages owner directors to be "absolutely clear about who you are and what you stand for as a leader. Understand what you need and where your gaps are".

When it comes to 'self' Lenkic urges business owners to be honest and courageous.

"Ask yourself, 'In what way am I a leader that people don't want to work for?' And of course, ask in what way are you a leader that people do want to work for?"

"Think about your own professional development and have a real clarity around what you stand for. Then think about other people in your business. How are you supporting them and what do they need? What are their professional development gaps?"

Lenkic says to look out for programs you can attend to develop your leadership.

"It's important to access different resources and find a mentor too. There are industry based mentoring programs or you could just ask someone you know or admire what they've done."

Lenkic suggests having a clearly defined goal for mentoring sessions – along the lines of an hour a week over a set timeframe.

"Also have a regular time in your calendar where you think about leadership issues," she adds. "If you don't diarise it, it won't happen."

The final stage of the model is to look at climate – the atmosphere and culture at your place of business. Are you utilising your team's strengths? Are you being too controlling?



Five characteristics of great leaders:

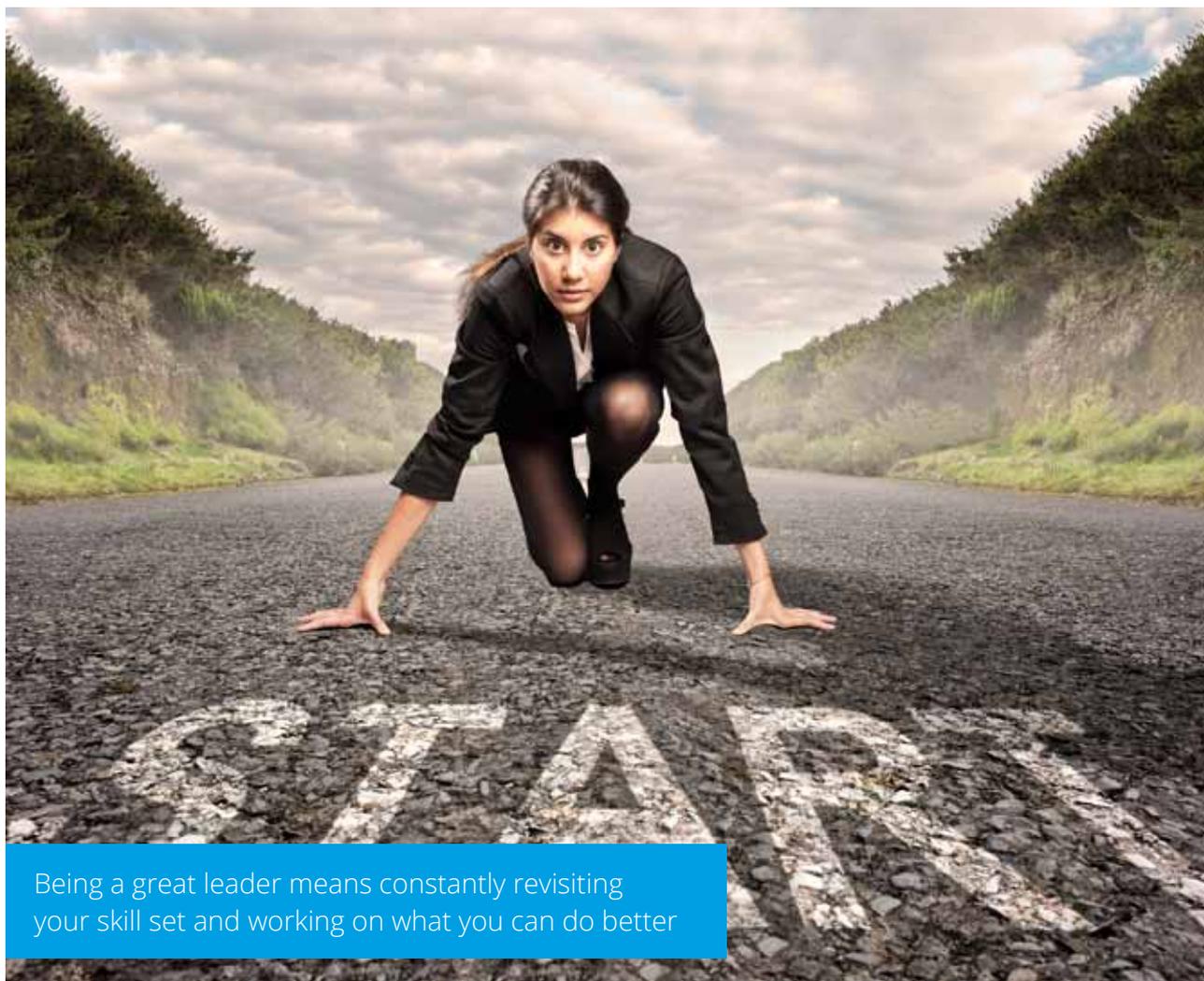
- Excellent clarity on what their organisation stands for, its purpose and value;
- Experts in their market;
- Close to their customers;
- Drive their organisation forward and take their team on the journey;
- Invest in themselves as leaders, through training and development programs.

“If you’re not going to utilise the strengths of the people around you, it’s going to limit yourself and your business,” warns Lenkic. “Think about how your behaviour can develop others. Ask who would you want to work for? What traits would you want to see? Continue to invest in your skills and capabilities and have a development plan.”

Lenkic says to always ask yourself, what skills and capabilities do I have to develop to continue to raise the bar for this business?

Top tip

Australia’s leading corporate chiefs on the [four things leaders should never do](#).



Being a great leader means constantly revisiting your skill set and working on what you can do better

4. Plan your exit

Alistair Gordon believes that succession planning is the core thing that people leave too late and don't do properly.

"If I had any form of a profitable business, I'd question what the value of the asset I've built is. And I'd know the most material risks, so for example, if the owner is suddenly unavailable to the business, are there people within the company who have been developed to step into the breach? Alternatively, are there five people outside of the business that you could potentially hire?", he asks.

It makes sense to think about succession planning as early as possible. Professionalising the business is a key component for this.

"The thing that stops so many businesses from getting a good price is the business is still heavily dependent on the founding fathers," he explains. "It's a problem because it massively increases the risks for the purchasing company. If you can see the business is very successfully being run by the team the founders have built and the founders themselves are basically just consultants to the business, that's a huge

accelerator and value add in terms of getting the exit you want at the price you want."

Julia Bickerstaff says it's imperative to be strategic about selling. Think about who the buyer could be beforehand and factor this into decisions you make for the business.

"Also show at least three continuing years of profit growth. And 18 months before, it wouldn't be wise to do a whole restructure as it makes for a muddled story," she adds.

Branden Dekenah believes, "A good business is one that's solid, shown to have good clients, and staff, future earnings potential, that's run well, has good processes and procedures, as well as governance. These are the things a company looks for as a buyer to feel like they're making a good investment."

He suggests planning well in advance for when you want to sell and taking the time to understand your external market.

"Start about three years before you want to sell. If you're in the services business, you have to work to the idea that an acquiring business may want to keep you for one to three years. You also won't get all the money from the sale up front. You might get 50-60% first, then the rest is paid out over

Turns out...great minds
really do think alike

Find out how you can connect with over 6,000 owner directors who are serious about positive business performance and sustainable growth.

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the remaining term as part of your profit warranties," he explains.

According to Alistair Gordon, if you're looking for a successor instead of a sale, avoid choosing the type of person you think you want – and instead focus on what sort of successor the company needs.

"You have to carry out a careful analysis of what you want that successor to do, what sort of experience and skills you want them to have – and then go to market or look inside your own business to see if people have the aspiration and capability to grow into that role."



Moving on from a business takes navigation, and sometimes years of succession planning



GETTING YOUR BUSINESS READY FOR SALE

Our Company Directors Directing Growth Program experts Alistair Gordon and Tony Nimac (a partner in KPMG's private enterprise practice, who leads the Sydney practice) believe owner directors should:

1. Have a succession plan in place and bear in mind that if you're selling to another company, you're likely to have to work for them for one – three years;
2. Understand the company's purpose and strategy and be clear about that with potential acquirers;
3. Provide impeccable management and chartered accounts to allow a purchaser to see how each line of business works and what the true costs are for each service or product;
4. Hire a self-sufficient management team to show the quality of the business, beyond you as an owner;
5. Clearly explain past and future performance of the business. Know how it has performed over the last three years and what the future looks like – and support this with financial information;
6. Do a risk assessment for the profit warranties drawn up within a contract of sale. Consider up front how many warranties you're prepared to sign.

5. Medium enterprise case study

C3 Business Solutions managing partner Cameron Wall knows a thing or two about developing as a strong leader – keeping strategy, innovation and growth at the core of his work. From co-founding the business in 2007, the award-winning information management and business intelligence company now employs 120 staff, with clients ranging from banks, and large retailers to utility companies and federal government agencies.

“Myself and our other director, Conrad Bates, were working at IBM in 2006 when we came up with the business idea and thought it was a fairly good niche – overlooked by larger organisations as they were after bigger deals. We were passionate about the area and keen to go out on our way,” he says. “One of the key learnings that I wish I’d known when we set out is how to deal with failures and to even expect that they’re part of the natural business cycle. We’re so geared for success but we’re not really brought up with skills around the alternative. I’m still learning on that front and it’s one of the harder lessons.”

Bates says he has learned it is important to move on from failure, and to learn how to tolerate it, expect it and accept it.

“There’s a new mantra going around which is ‘fail fast’ and there’s something in that. It’s a statistical certainty that the bigger a business gets, the more likely it is that you will have failures at some point within the business cycle,” he adds.

Although still a challenge, Wall and Bates have found a way to factor in failure to keep their business lean and nimble.

“We talk more about stop losses when we’re talking about new initiatives”, says Wall.

“So we ask, at what point do we stop throwing good money away if something’s not going quite right? There’s a fair bit of risk management discussions.

The majority of what we focus on is how do we become more successful, but we set up fail-safes so that we’re prepared for all eventualities.”

In terms of mistakes owners can learn from, Wall says you simply can’t cut corners when it comes to people. You’ve got to treat them well and work to their best interests.

“When you skimp or don’t communicate effectively, there are definite ramifications,” he explains. “We focus on making the business a terrific place for people to work. We try to be at the leading edge and have exciting work for people to do.”

Hiring good people first and foremost is another clear learning.

“We’ve had a couple of hires along the way that weren’t so good but it was a case of we needed somebody at that point in time. They didn’t work out because people want to work with other like-minded, smart and enthusiastic people. As soon as you hire somebody that doesn’t fit that mix, people think you’ve let your guard down, that you’re letting anyone in and it’s not a special place of business anymore.”

Building a team that’s proud of what you’re trying to achieve as a business is crucial. You need buy-in of your vision and you need your team to trust you. Values around honesty and integrity are key.

Wall also feels it's integral to listen to what your customer wants and innovate in that space.

"In the past we invested in certain products and threw money at them but now I would've seen the warning signs much earlier."

He explains the importance of not only focusing on what a client wants, but what there's genuine demand for from customers.

"Deliver what the customers are demanding – not what you want to do", he advises.

"At the moment, we've got a lot of demand around the analytics work we're doing. Predictive analytics suggests when a customer will tune out of a business or when they've got propensity to buy more products. It's a really popular area so we've invested in that space."

Wall also has the ability to innovate within that arena as the business retains money each year from the prior year, specifically to spend funds on innovation.





LAST WORD: TOP TIPS FROM OUR EXPERTS

What mistakes have taught owner directors the most?

1. Not hiring the best quality people at a senior level.

Julia Bickerstaff says she's worked with companies where they've opted for a \$100,000 new hire instead of a \$300,000 one but found a few years down the track that that person has held the business back.

2. The absence of an external board of directors or good mentors.

Bickerstaff adds that a good board will ask difficult questions and keep owner directors accountable for the decisions made.

3. Weak preparation and understanding around succession planning.

Alistair Gordon explains how most people focus on doing business instead of building a business. In terms of succession planning some businesses he's worked with have wished they had developed talent much earlier and hired a professional accountant instead of a bookkeeper.

4. A lack of forethought for a long-term business strategy.

Tony Nimac believes that some businesses are too focused on the short term.

"Being clear about your strategy and staying the course can reap benefits – but can be hard if you don't have the capital or don't have good people around you. Businesses need a long term strategy around product development and understanding what they want to be," he says.

5. Too much focus on their business rather than what's happening in other businesses.

Bickerstaff advocates going to business conferences to provide ideas about your own business and to stay on top of what your competitors are doing.

"If you don't get outside your business, you won't know what exists. The better leaders are always out there listening and talking to other people and finding new things out," she explains.