

WHO DARES WINS

Growth Challenges for an Entrepreneur

Building a great business will require tough choices of the ambitious entrepreneur. They will need to surmount myriad personal and strategic obstacles as they strive to turn ambition into reality. Criticaleye spoke to several entrepreneurs within its Community of Members to explore how these restless beasts adapt to various stages of growth, supported by comments from financial backers and thought leaders.

All entrepreneurs harbour the hope of one day making their fortune. But the first stage is survival, for which you'll need a great idea and a stubborn belief in yourself to make it work. "If the idea lasts, you should make money," says **Don Elgie**, Founder and Chief Executive of PR and communications business, Creston plc, which last year announced profits of £14.5 million.

While some are simply happy to create a lifestyle business, others will have the vision and guts to create a company and then sell it for potentially life-changing sums of money.

For **Jo Sellwood**, who co-founded her executive search business, Strategi, in 2000 and sold it seven years later, a key tenet of entrepreneurial success was a five to 10-year exit plan. She says: "We started with £15,000 each, kept it very lean and had a long-term view of growing it steadily and profitably. We had a clear strategy right from the beginning that we would one day sell the business... We concentrated on building up a great business over the first five years then shaping it in whichever way was right for the chosen approach at the time of sale."

ADAPTING TO CHANGE

Whatever direction the business ends up taking, each stage of growth will require different things from the entrepreneur and they will need to learn to adapt their management style accordingly. **David Molian**, Criticaleye Thought Leader and Director of Business Growth and Development at Cranfield School of Management, says: "It could be that, at one stage of the business, driving down costs is necessary, but at another they may need to lead innovation. Each will require very different management and leadership styles."

When **Mark Robinson**, CEO of Advanced Power Components plc, a company founded by his father in the early eighties, moved into the hotseat he took the bold decision to float the company in 2001 and expand it internationally. He says: "It meant moving out of developed markets and into emerging markets, which are far less predictable in terms of timescales and growth rates. I've needed to keep existing teams of people with me while operating in what would be way outside their comfort zone."

Certainly, the decision to go public in order to achieve growth can be an enormous test for the inveterate entrepreneur. **V 'Ram' Ramakrishnan**, a Criticaleye Thought Leader and Associate Faculty Member, MDP, at the prestigious Lee Kuan Yew

Surrounding yourself with talented people will allow the business to flourish

School of Public Policy in Singapore, says: "The three basic principles of good governance – accountability, transparency and integrity – must be in full operational practice before any IPO... Otherwise the time, energy and money goes into streamlining the business, and the residue is insufficient to deliver on the premised growth."

Aside from the challenge of coming to terms with corporate governance, the entrepreneur may find it equally demanding to get the right board in place and realise they are no longer the heart and soul of the business.

Charlie Cunningham, Corporate Finance Director at small-cap broker finnCap, says: "An entrepreneur must realise that the key to getting the right board in place is making sure that each member of the board adds value. It should not be a box-ticking exercise. They may open doors, establish proper corporate governance or provide an invaluable sounding board for the entrepreneur as they seek to build the business."

THE RIGHT TOP TEAM

Technology entrepreneur **Paul Luen**, CEO and Co-Founder of environmental component manufacturer Martek Marine Ltd, is under no doubt that "people" have been the enabling force for the business. He says: "We took on a new managing director whose complementary skills have made a huge contribution to our success. However time consuming the recruitment process might be, there cannot be a high enough premium placed on bringing people on board who will fit in and complement your culture."

If an entrepreneur is serious about achieving meaningful growth then they will have to

overcome their controlling instincts and realise the importance of delegation and teamwork. Jo says: "Many entrepreneurs simply don't see any barriers; one lesson that I picked up very quickly was the importance of surrounding yourself with people that are very different to you, and that can complement you."

For Jo, going into partnership with her financial director was a revelation: "She was a great, steady person that could do the details and think about things from an operational point of view, and a great leveller to my ideas, strategy and vision. Entrepreneurs tend to be confident and forthright, but they don't know everything."

The entrepreneur needs to be surrounded by people who possess the know-how to turn good ideas into something practical. **Peter Blezard**, a founding shareholder of environmental science company, Plant Impact plc, says: "We started the business with £70,000, half of which came from angel investors and half from banks. Key to getting the ball rolling was my knowledge of sales and a clear business model."

What began as a conversation "over a pint in a pub" grew into a business that floated on AIM in 2006 housing some 20 employees and selling its products in 70 countries. While PI has nine patents on seven technologies and scientific papers being written by established bodies, Peter believes the trick is in understanding how to turn this into cash. He says: "To me, anything other than sales is a cost and a business must learn how to convert customers into cash quickly. Therefore the strategic plan must be capable of adapting and evolving."



As a business grows the entrepreneur must also learn to change people along the way. This will require making some tough calls. David says: "These will be difficult but necessary conversations with people – often friends – that may have been with you right from the start and you may have a strong emotional tie with, but if they are no longer appropriate for the stage the business is currently at, they must be refreshed."

THE BARRIERS TO ENTREPRENEURIAL GROWTH

David Molian, Criticaleye Thought Leader and Director of Business Growth and Development at Cranfield School of Management, outlines his universal obstacles facing entrepreneurs:

- 1. Recognise that you are running a marathon not a sprint:** you should appreciate that there is and will be a need to replenish your energy periodically, restore your enthusiasm and rekindle your passion for the business, so, just as if preparing to run a race, you should plan to refresh yourself and take in nutrients as required.
- 2. Don't seek to diversify too quickly:** focus on finding and mining your profitable niche and don't be too easily distracted by forays into related, or even unrelated, markets too early-on.
- 3. Take care to secure the right type of finance:** don't rely excessively on short-term finance for long-term finance requirements, typically just trying to run the business on overdraft when actually what it needs is term loans or equity capital.
- 4. Accept the need to change people along the journey:** these will be difficult but necessary conversations with people – often friends – that may have been with you right from the start and you may have a strong emotional tie with, but if they are no longer appropriate for the stage the business is currently at, they must be refreshed.
- 5. Learn to adapt your management style:** perhaps the biggest barrier for the entrepreneur is the inability to change their management approach at different stages of the business; it could be that at one stage of the business driving down costs is necessary, but at another they may need to lead innovation – each will require very different management and leadership styles.

Each growth stage will require different management and leadership styles

Don, who founded Creston in 2001 and has grown it acquisitively as a public company, says: "During our first acquisition it became clear that the FD was inadequate. Rather than fire her, I listened to the management who pleaded that it would send out the wrong signals, that we would be perceived as being just like the big corporations we were trying to better. I therefore delayed six months before firing her, which was a mistake – you have to be totally happy with the finance function. Separately, I cannot overstate the importance of a good second-in-command."

Paradoxically, the growth strategy might call for the creator themselves to step aside and let in some fresh blood. Such was the case for **Andrew Mearns Spragg**, Founder of 10-year-old marine biotechnology company Aquapharm, who recognised the right time to step aside and bring in a new CEO. Instead, Andrew became CTO, leaving him free to focus on spotting opportunities in the technical space to keep Aquapharm ahead of the game: "I think it's important that a good team takes on the experience, not just at the helm, but also at the technical levels. Certainly, I felt that it was the right time for me to step aside and learn from someone else who had been there and done it before."

Each stage of the entrepreneurial cycle will require different levels of input and focus. As their business grows, the entrepreneur will need to build around them a talented team in which they can entrust key responsibilities for driving their business forward. This will be essential for its cultural development and sustainable growth. As advertising guru David Ogilvy once put it: "Hire people who are better than you are, then leave them to get on with it."

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Featuring commentary from:



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