



THE PROFESSIONAL EDGE

Entrepreneurs find it hard to develop an organisation of professionals.
Four practices that can help them make the leap



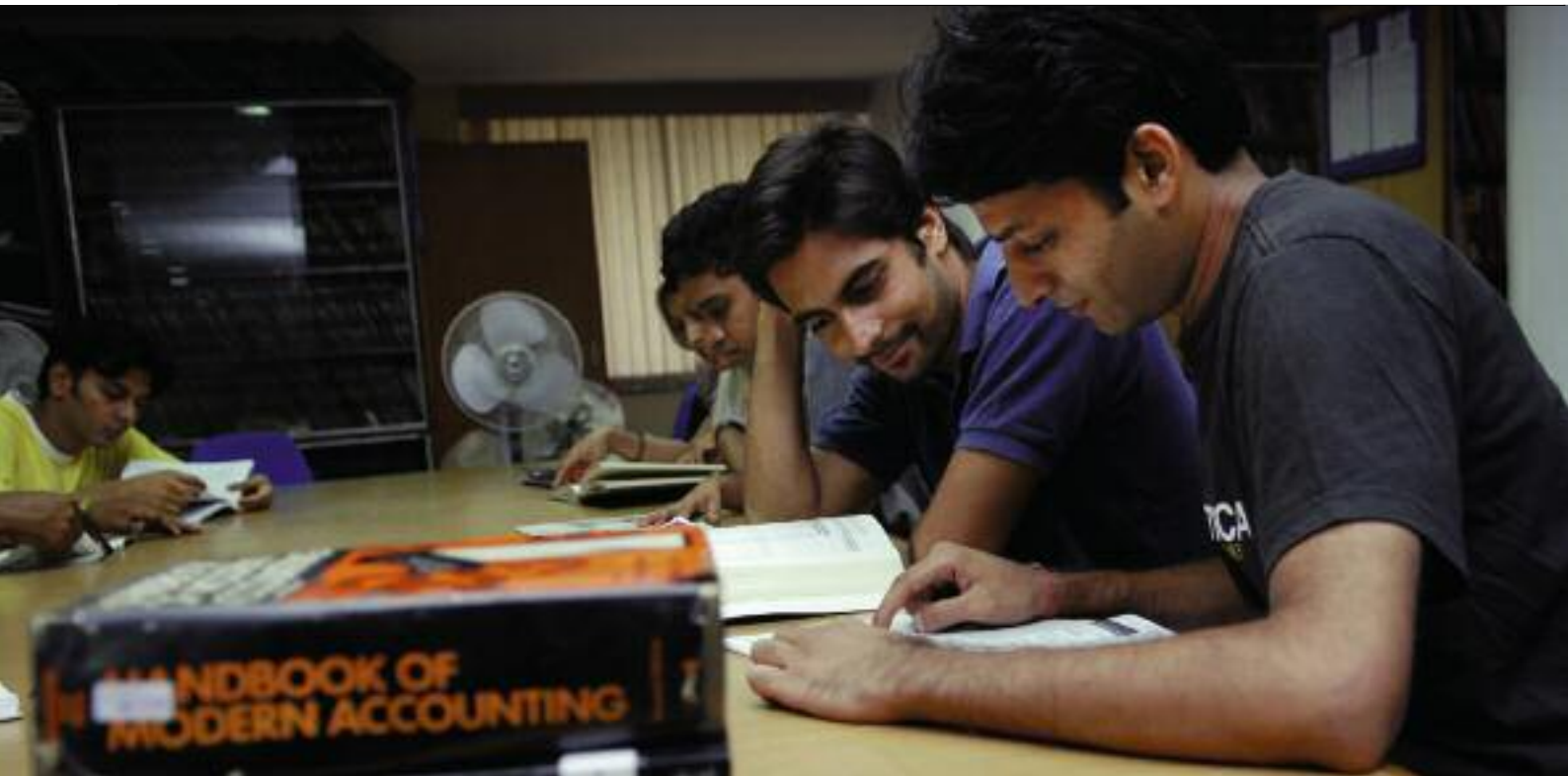
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Most entrepreneurs are inherently smart people. They recognise that creating a high-performance organisation in today's environment will require them to build additional competencies. They also understand that talent acquisition requires investment in people and formal processes and systems. They have built their businesses by dint of hard work and relationship management, and

are generally good man-managers. Yet, very few entrepreneurs are able to attract the right talent and build the right kind of organisation.

Management literature provides few insights into this issue and does little to help the entrepreneur cross this chasm. It is easy to say that a company needs to develop a people perspective — but difficult to say how one starts. In our interactions with several family-run and entrepreneur-driven organisations, we find that there are four practices that can help companies make this leap.



Many professionals are able to self-select themselves for a role

What are we looking for?

Clarity of objectives helps. While entrepreneurs are good at recognising the need for a broad capability, they often neglect to sharpen their requirements. Capability gaps can often be described in broad terms such as marketing or human resources management (HRM). In practice, each of these can have several sub-specialisations — and a person who knows one part is not necessarily good at another. For instance, HRM may mean recruitment, training, employee engagement, compensation and benefits or performance management. Each of these is a different area of specialisation. Not thinking through the specific requirement can sabotage the process from the outset. It is common for a business owner to say that they need an “HR person” — when they really need a recruiter or administrator. This failure to detail out the requirements is the primary and largest issue for most organisations.

The second, but no less critical, issue that needs to be thought through is the role of the owner/family members after the induction of the professionals. Typically, the owner would have been playing some part of the role — till the time that the professional

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comes in. “Letting go” always sounds easier than it is. One of the most common grouses that professional managers have is that the owner rarely relinquishes control — and continues to play a significant role in their function. The flip side is that few entrepreneurs feel comfortable letting go of a function till they are confident that it is in safe hands. The other extreme, where the owner completely abdicates the role doesn’t

necessarily work either. There is a middle ground — and it is important that there is clarity on this front. The middle ground needs to be discussed, agreed and detailed out by both parties — upfront. This prevents a lot of heartburn at a later stage.

Finally, there needs to be clarity on the measures that will be used to measure performance for the new professional managers.

These metrics must be discussed with the person at the time of the interview process itself. Many professionals have a good idea about their capabilities and are able to self-select themselves for a role. In case they feel uncomfortable with the metrics, they are likely to object, or attempt to dilute the issue, at the interview stage itself. This ensures that there is a significant “expectation setting” that happens for both the parties and ambiguity levels come down.

Set the stage internally

In family-run organisations, the hiring of professionals has multiple implications. It often means a subtle shift of roles from family members to employees. This can be a delicate issue at the best of times — and needs to be handled as such. Also, the induction of professionals often leads to an increase in the cost structure, while the revenue impact takes a longer time. The concurrence of the family members cannot therefore be taken for granted. It is critical that the family members are aligned to the objectives of the leader and put their support behind the professional managers. Without this support, the outsider will be doomed to failure. Otherwise, the person finds that he has multiple dotted-line reporting relationships. Some professionals start adopting a safety-first approach towards everything — making sure that the family is happy, whether or not they themselves believe in the decision. Others get frustrated and get into a negative loop of cynicism and under-performance. Very few are able to manage well in such an environment.

It is also important that many “hygiene” issues need to be addressed before inducting senior talent. The informal mechanisms that have become ingrained into an entrepreneurial organisation can become a nuisance to the seasoned manager who has become used to certain things being “taken care of”. Simple issues around HR policies, reporting relationships and office infrastructure can become irritants. Many professionals talk wistfully about how things were in their old company, and how different (read difficult) it is in their current environment.

Hire what you want, not what you get

When looking out for fresh talent, it is important to expand beyond the traditional recruitment sources. Instead of hiring the first person who “ap-

pears suitable” for the job, it is critical to conduct a systematic search process. A simple thumb rule is to interview at least five people for every senior manager hired into the company. By doing so, one gains a better understanding of the options available and the suitability to the organisation’s requirements. Secondly, one must move towards a multi-interview process — with a minimum of four interviews for senior roles. The owner group should be active participants in this process. A recruitment error takes anywhere between six months to two years to be resolved — so it is better to invest the time up-front and try to maximise the possibility



of success. All of this is a divergence from existing practices for most entrepreneurs — who often hire on the basis of their existing relationship with a person and the quality of references or recommendations from other people in their network. This is a useful practice, but inadequate when trying to change the DNA of an organisation. Devoting extra time on the interview process has other benefits. It allows the entrepreneur to spend time co-creating the agenda for a candidate. We have found this to be an especially useful practice. It allows

Detailing the requirements is one of the largest issues for most organisations

the entrepreneur to understand the candidate's capabilities a whole lot better, and gives the candidate a realistic assessment of the organisation he is looking to enter and the expectations from him.

Ensure success

It may seem contradictory, but an entrepreneur must find ways to ensure initial success for the persons they hire. For organisations that are making their first steps towards professionalisation, this becomes even more critical. There often tends to be scepticism on the value of an outsider in the senior role, and at least some envy over the (ru-

moured) compensation. As a result, many managers are quick to abandon the long-term objectives that they were brought in for. Instead, they focus on justifying their inclusion and producing some short-term operational results. This has its merits — but is often misaligned with the entrepreneur's objectives. The professional is brought in to create new machinery, not become a cog in the existing one. One of the most effective ways to resolve this is to create some short-term "wins" for the newcomer — allowing the person to strengthen their internal position while taking on more meaningful long-term objectives. At the same time, the



entrepreneur must take time to talk to the existing team and clarify the role of the new managers. It must be clear how the newcomer's role is different from the existing team's roles and how that role fits in with the future direction of the company. A frank discussion around the imperatives and challenges of professionalisation can help create organisational buy-in and support. This support may prove to be the critical success factor in the eventual analysis.

The important thing is to stay committed to the path even if the first effort does not succeed. Creating a professionally driven organisation is a sig-

nificant challenge — and most entrepreneurs have struggled to make the leap. But for those who have managed this transition, the rewards more than justify the effort.

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