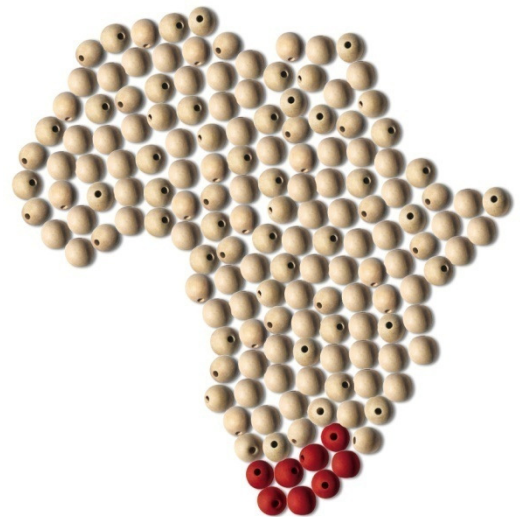


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MANAGING YOUR BUSINESS BEYOND START-UP

MARCH 2010



INSPIRED BY CHANGE

INVESTMENT MANAGERS

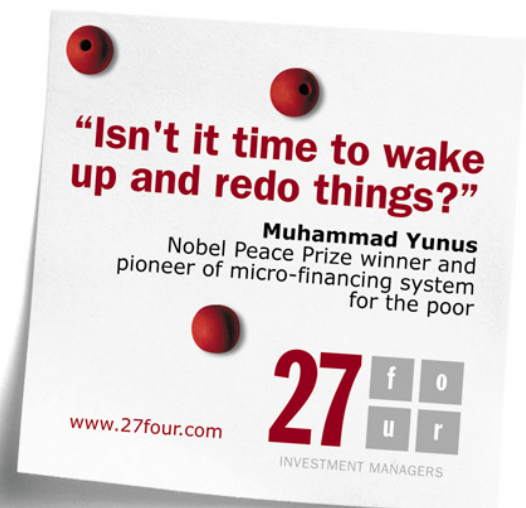
Whilst an entrepreneurial drive is necessary on the way to starting a new business, basic management skills are crucial to sustain the business beyond start-up. A key skill is strategic planning. It is also important to pay attention to managing the marketing, new business development aspects, finances as well as the human capital of the business.

In South Africa and the rest of the world, small and medium enterprises play an important role in the economy. They are known to contribute significantly to the number of jobs, as well as to the growth of the respective local economy. Yet, as much as fifty percent of these small and medium enterprises do not sustain themselves to become larger enterprises and often liquidate before reaching their full potential.

27four supports several small to medium enterprises within the asset management industry. We at 27four think it is important for all our entrepreneurs to think managerially once we have assisted them in getting their enterprises off the ground. The entrepreneurs that we have supported thus far are brilliant individuals and very competent at the technical skill of managing financial assets. In this article we advise that such entrepreneurs also acquire the broader skills of managing an entire business, its finances being just one of the elements. For example, one must pay attention to key employees and other key stakeholders such as potential clients.

Arguably, whilst entrepreneurship is primarily concerned with the discovery stage of developing an enterprise and emphasis is on creation and growth, a different set of management skills are required for controlling and coordinating resources.. Initiation is the responsibility of the entrepreneur who examines: ideas, develops opportunity and handles the nuts and bolts of registering the venture. In the start-up phase, when the enterprise is still small, the entrepreneur usually manages the enterprise. As the enterprise grows, professional managers may be hired to handle administration and strategic management.

"You often hear how companies have to 'cross the threshold to professional management' once they get beyond a certain size and stage of development. The implication is usually that you do it by changing leaders – that is, by getting rid of the entrepreneurial founders and replacing them with professional managers. There are hundreds of individuals, however, who make the transition successfully on their own, and some of them have names that are familiar to us all: Gates, Walton, Ford, Hewlett and Packard, Galvin, Watson, Marriott, and so on. They all built companies in which they played critically important roles – but the companies were not dependent on them for survival. They each made sure that the business could go on without them. It had its own value"¹



¹ From "A Stake in the Outcome" by Jack Stack

We do not wish to propose that all entrepreneurs leave their business to be run by professional managers. Some entrepreneurs, especially those who have just launched a small enterprise, do not have the luxury of employing a professional manager. The solution here is to develop and practice the key management skills to sustain the business beyond start-up.

Strategic planning is one such management skill that entrepreneurs becoming operational in their business need to acquire. Although most entrepreneurs do some form of strategic planning for their enterprises, it often tends to be informal and unsystematic. A small two-person operation may successfully use informal planning because little complexity is involved. However, an entrepreneur's need to shift from an informal to a formal systematic style is important for several reasons:

1. The degree of uncertainty with which the business is attempting to become established and to grow. With greater levels of uncertainty, entrepreneurs have a stronger need to deal with the challenges that face their enterprise and a more formal planning effort can help them to do this.
2. The strength of the competition, in both numbers and quality of competitors, will add to the importance of more systematic planning in order for a new enterprise to monitor its operations and objectives more closely.
3. The amount and type of experience the entrepreneur has may be a factor in deciding the extent of formal planning. A lack of adequate experience, either technological or business, may constrain the entrepreneur's understanding and thus necessitate formal planning to help determine future paths for the enterprise. It is only through this type of planning that entrepreneurs can manage entrepreneurial growth.²

We often find that entrepreneurs who are technically sound in their area of expertise ignore the basics of business success. Sometimes it's due to the personality of the entrepreneur and other times the entrepreneur simply needs to be coached onto a path of broader business management fundamentals. A key issue that entrepreneurs stuck in their technical function often neglect, is marketing. Simply, this means that they need to make time to develop relations with existing and potential new clients. This sometimes means getting out of their comfort zone to go out there and meet people. Similarly, attention needs to be paid to employees within the enterprise.

The first step in making the transition from starting an enterprise to actually managing the enterprise, lies in developing a sense of self awareness of one's strengths and weaknesses. The second step is to take adequate actions to overcome weaknesses and consolidate on key strengths.

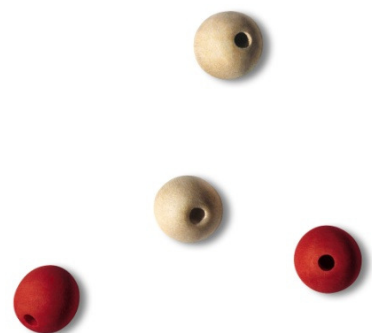
Contact us for more information on 27four's BEE.conomics product suite.



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² See "Introduction to Entrepreneurship" by Kuratko