# PART SEVEN
# **Leading growth**

# Putting a price on mediocre management

7.1

*Christopher Kinsella, Acting Chief Executive, Chartered Management Institute, reports on the pay-offs from investing in the development of management skills*

Ineffective management could be costing UK businesses over £19 billion per year in lost working hours, a recent survey of workers showed. The Chartered Management Institute (CMI) conducted the research to underline the risks to organizations of weak management – an issue that, while recognized, is still not being addressed urgently or thoroughly enough.

## The financial burden of weak management

This particular study looked at the amount of time 2,000 employees across the UK feel they waste at work owing to working with managers and leaders who don't perform efficiently. Three-quarters report losing almost two hours out of their working week and the worst management practices responsible for this time lost were unclear communication (highlighted by 33 per cent); lack of support (also 33 per cent); micro-management (26 per cent); and lack of direction (25 per cent).

Taking the average hours wasted in a week across the 48 weeks a year that the majority of workers work, this equates to a loss of £900 per employee per year; a total loss to UK plc of £19.3 billion, calculated at a median value rate.

The numbers highlighted by this survey, while disappointing, are unfortunately not particularly surprising. Only one in five UK managers holds a professional management qualification, so a significant part of the problem is that those who are performing inefficiently are simply not being provided by their employers with the skills and knowledge to do the job in hand. There is also reluctance among managers to pursue professional development opportunities in the field of management and leadership, despite the benefits it brings in terms of salary and employment opportunities.

## Building a business case for management and leadership development

At a time when businesses are struggling to survive and the public sector is making cuts left, right and centre to help reduce the national deficit, we need the fact that weak management is costing businesses and other organizations such a staggering amount annually to propel those at the top levels of management and leadership into action. However, the incredibly challenging economic climate also means that, when faced with the figures above, many organizations and individuals understandably complain that the funding needed to develop the skills of managers simply isn't available at present.

This is one of the many reasons that, as the body committed to the professionalization of UK management and managers, we recently embarked on the most in-depth and far-reaching piece of research into the business benefits of management and leadership development ever conducted. We want all our member organizations and our individual members, along with the wider management community, to understand why management and leadership development is so incredibly important to organizational success and to equip them with the information they need to build a business case for investing in management and leadership development.

## The link between people performance and organizational performance

Working in partnership with HR Consultancy and People Performance Company, Penna, and the Henley Business School, we consulted almost 4,500 managers, including 300 CEOs and 550 HR managers, asking about all aspects of current practice. The resulting report, 'The Business Benefits of Management and Leadership Development', spells out how organizations where management and leadership development activities take place see increases of up to 32 per cent in people performance and 23 per cent in overall organizational performance. This holds true across all sectors and sizes of UK organizations.

Management abilities were shown to be clearly linked to organizational performance. In high-performing organizations 80 per cent of those consulted rated the people they work for as effective, whereas in low-performing organization less than one in four (39 per cent) managers were rated effective. Looking across all organizations, not far off half of managers – 43 per cent – rated their own managers as ineffective; a pretty damning summary of the UK's management abilities.

As you might expect, high-performing organizations spend 36 per cent more on average on management and leadership development per manager per year than low-performing organizations (£1,738 compared to £1,275). The mean organizational spend per manager was estimated at £1,414 per annum. Looking across sectors, managers in public sector organizations have £1,515 on average spent each year on their management and leadership development. The private sector is slightly behind at £1,416 and not-for-profit sector organizations spend just £1,133.

## The wrong types of training targeted at the wrong types of managers

Many employers actually are, therefore, investing in management and leadership. In fact, a staggering 26 different types of management and leadership activities were reported, with the average manager exposed to six different types over the last three years. While it's tempting to welcome the news that so much activity is taking place, further investigation into the issue found that the types of training being offered are often not the right ones to secure a return on investment in management and leadership and that managers taking part in development activities aren't seeing benefits or improvement.

Accredited learning and qualifications, including MBAs and professional bodies' qualifications, are rated as having the most positive impact on individuals' performance, yet there is still widespread reliance on 'on-the-job' experience and short courses which are much less impactful. The effectiveness of different types of training also varies between particular management levels. For example, many CEOs wish they had had access to coaching earlier in their careers, while professional qualifications are seen as particularly effective for new and junior managers.

## The key to getting it right

One of the report's main conclusions was, therefore, that a much more strategic approach to investing in management and leadership development needs to be adopted by most organizations. Financial investment alone is not the deciding factor in the impact of management and leadership development. The way to maximize performance and return on investment is for all training to support business priorities, with the skills and behaviours being learnt resulting directly from business needs.

Development opportunities should be reinforced through practices such as performance management and competency frameworks. Top-level commitment is also critical: CEOs and senior management must show that they are committed to their own learning as well as that of their managers and they need to act as role models. Regular measurement and evaluation of what is being implemented also proved to be vital to gaining the highest returns on investment.

## A case in point

An organization participating in the research which exemplifies why taking a strategic approach is so important, and how to go about doing so, is AstraZeneca.

Steve Bottomley, head of planning, human resources at the company, explained to us, as part of the research project, how structured, integrated business planning and HR processes enable AstraZeneca to measure and develop their people capabilities to meet business requirements.

The business strategy is reviewed annually alongside the HR and people strategy so that priorities for people development can be established. Current people priorities are to:

- achieve a step change in leadership and management capabilities;
- deliver key capabilities across the organization;
- improve employee engagement and build a high-performance culture;
- improve the strength and diversity of the talent pipeline;
- acquire and retain key talent.

In each one of these people priorities, management and leadership development has been identified as a key enabler to achievement.

This process means that the senior team is completely involved from the very beginning – the executive vice president for HR presents the people strategy and people priorities alongside the business strategy to the board at the outset. In addition, with the HR leadership team, the measures of success against each of the high-level people priorities are identified and agreed. Progress is then tracked on a quarterly basis.

Similarly, measures of success against the HR strategy are agreed upfront and these are also reviewed quarterly. To support this, the Learning function produces and reviews a 'Learning Dashboard' on a quarterly basis. This means that, from the annual employee survey, for example – something that Steve feels is crucial for this sort of evaluation – AstraZeneca is able to understand the employees' views on its leadership and management performance.

## Secrets of success

So, what can employers take from this research in summary and practically implement to address weak management and take advantage of the business benefits of management and leadership development?

- The importance of evaluation cannot be underestimated. What measures do you use to help ensure that your development activities are aligned to your business targets and achieving maximum impact?
- Qualifications must 'hit the sweet spot' and must be regarded as the most effective type of management and leadership development. How much emphasis is currently placed on qualifications as part of your people development programmes? Have you considered opportunities for your managers to have their skills accredited?
- A rich learning environment adds huge value. Given that there is a reliance on on-the-job training, are you providing a sufficiently strong learning environment through the use of coaching, access to e-learning resources and external networks?
- Management and leadership development priorities must be directly linked to overall business strategy. In addition, how involved is your senior team? Are they leading by example?

## Reaping the benefits

Given the cost of weak management, investing now in improving management and leadership skills and educating managers and leaders is absolutely key in terms of individual business success, in terms of delivering effective public services and in terms of helping the UK deliver on a world stage.

The good news is that organizations which are investing strategically in management and leadership development are already reaping the benefits through improved and higher performance. There is a blueprint here for success and it is within all organizations' own power to improve things for themselves – by investing in management and leadership development wisely, employers can make a real, measurable difference.

Perhaps most importantly, we have now established the clear link between better managers and a better-performing business. Who, under the current economic conditions, can say that an increase in organizational performance of 23 per cent isn't something they want a piece of?

To read the full 'Business Benefits of Management and Leadership Development' report and more examples of what organizations are already doing, visit www.managers.org.uk.MLDbenefits

Consultrix

# Specialists in developing people and growth strategies

## Today your business is successful but will you achieve tomorrows goals?

Our objective is to help you understand, not just where you are now, but where you want to be and how to get there.

### We can help you:

- Identify and develop corporate (and personal) goals and strategies
- Plan to maximise profits and capital growth
- Be more creative in tackling challenges
- Attract, develop and motivate talent
- Win and develop more business

Our consultants understand what it is like to be entrepreneurial and enjoy working with businesses, wherever they are in their life cycles. We delight in offering fresh insights and impartial advice, especially when it leads to success!

## Contact us:

For more information please contact Allison McSparron-Edwards (Managing Director) or Niki King (Operations Director)

**Head Office:** 01793 726128
**London Office:** 020 7409 7398
**Email:** enquiry@consultrix.co.uk

**www.consultrix.co.uk**

# Leading the growth cycle

7.2

*Success or failure depends on how an enterprise is led at each stage of its growth, argues Allison McSparron-Edwards at Consultrix*

As companies grow they tend to follow a corporate life cycle including creation, growth, maturity, turnaround and decline (Kimberley *et al*, 1980). In tandem it appears that, in order to be successful in each stage, companies need to employ different types of leaders, including creators, accelerators, sustainers, transformers and terminators (Ward, 2002). The challenge for business leaders is knowing how to identify their leadership behaviours and whether or not they are appropriate to their company's growth cycle.

## What drives business failures or successes?

A recent study by the Bank of America found that 90 per cent of small business failures were due to managerial incompetence. Unfortunately, this is supported by the fact that in the last 10 years, many Fortune 500 and Fortune 1000 companies filed for bankruptcy. It appears that the very same managers who built successful companies were the ones who often, in the long term, failed them. Their leadership style, which may have suited one stage in a company's life cycle, may not necessarily have suited another.

The typical corporate life cycles, and relevant supporting leaders (Table 7.2.1), are as follows.

### *Creation, supported by creators*

The strategic priority for start-ups is to take a product or service to market in the shortest time possible. In order to survive, the start-ups will often have chaotic and frenzied cultures which create environments that are flexible, having little bureaucracy, staff or systems. Their creative entrepreneurial leaders will know clients, suppliers and employees individually and are excellent problem solvers.

**TABLE 7.2.1** Corporate life cycle and matching leadership styles (based on the work of Andrew Ward, 2002)

| Cycle | Creation | Growth | Maturity | Turnaround | Decline |
|---|---|---|---|---|---|
| Strategy | Speed to market | Rapid growth | Maximizing market share | Halting destructive behaviours | Realizing value |
| Focus | Internal | Internal/external | External | Internal | Internal |
| Leadership style | Entrepreneurs | Accelerators | Sustainers | Transformers | Terminator |
| Personality | Charismatic<br>Dominant<br>Autocratic | Good communicator<br>Dominant<br>Delegator | Participative leader<br>Delegator<br>Strategic visionary | Dispassionate<br>Analytical and detail orientated<br>Team player<br>Leads by example | Skilled people handlers<br>Motivators<br>Good communicators<br>Doers |
| Behaviours | Driven<br>Visionary<br>Passionate<br>Energetic<br>Adaptable<br>Focused | Systematic<br>Focused on growth<br>Great internal/ external communicator<br>Can scale systems<br>Takes incremental steps to achieve the vision | Predictability rather than flexibility<br>Reduces chaos<br>Initiates incremental changes to reiterate and refine the mission<br>Constantly seeking improvements<br>Unbridled enthusiasm to motivate employees | Halt the decline<br>Re-creation from existing declining base<br>Redefining the mission<br>Changing processes and direction<br>Overcoming resistance to change<br>Unlearning behaviours<br>Unbridled enthusiasm to motivate the 'troops' | Short term focused<br>Address uncertainties and resolve them<br>Manage employee concerns and expectations |

| Cycle | Creation | Growth | Maturity | Turnaround | Decline |
|---|---|---|---|---|---|
| Issues | Focus too narrow<br>Failure to manage working capital | Takes fewer risks<br>Becomes more bureaucratic | Bureaucracy increases<br>Loss of nimbleness | Loss of impetus when transformer 'moves on'<br>Product obsolescence not overcome | The rumour 'mill'<br>Loss of motivation |
| Examples: in wider marketplace | Steve Jobs: Apple | John Chambers: Cisco | Robert Haas: Levi Strauss | Archie Norman: ASDA | Dubinsky and Hawkins: Palm PDAs |
| Typical size of agencies found in various parts of the life cycle | 1–12 employees | 13–30 employees | 30 + employees | | |

## Growth, supported by accelerators

The next strategy will be to pursue rapid growth, which often stretches and strains the business's existing capabilities and systems. To support accelerated growth leaders must focus on internal issues and add discipline and structure to the business, but without destroying the company through under- or over-investment or risking losing its innovative culture and values.

## Maturity, supported by sustainers

Having grown rapidly, the organization now needs to focus on the external market and understand how to strategically win and keep market share. Leaders need to understand that maintaining the status quo is insufficient as, ultimately, younger, hungrier businesses will steal their hard-won market share and the business may go into decline. Unfortunately, not all companies can sustain the maturity phase and, potentially, decline and annihilation can follow.

## Turnaround, supported by transformers

In this phase the strategy must be to reverse any decline or face ultimate extinction. Otherwise falling sales, assets being sold off, cost reductions and lower investments will create a vicious downward spiral of inactivity resulting in bankruptcy. Leaders need to understand how to transform their companies and get them out of the 'rut' in which they have become entrenched. Poor routines or negative scripts have become embedded in the organization, causing narrow-minded thinking and a loss of creativity and innovation. Their job is to help people 'unlearn' old scripts, to challenge the status quo and to bring fresh perspectives to the business, thereby creating new profit opportunities.

There is a need to re-examine what was right in the creation stage (chaotic and creative environments; flexibility and a lack of bureaucracy) to ensure that old (yet good) habits are reinvented/updated and made relevant once again to a maturing company. Leaders can empower people by talking (and listening) to their employees and by encouraging them to create and develop new solutions based on their hands-on experience of what clients, and the markets, really need.

## Decline, supported by terminators

At this stage in the business cycle the strategy has to be to realize what little value there might be left in the business. In our shrinking world where Sheth's 'Rule of Three' (Sheth and Sisodia, 2002) prevails, there can only ever be three major competitors in any given market. The result is that the leader needs to work out how to maximize value: whether by selling to a major player, merging to achieve scale or breaking up the company into its valuable component parts.

## Are leaders born or made? Nature vs nurture

Having identified that corporate growth cycles require different leadership styles, the million dollar question is: 'How do we know what our leadership styles are and can we adapt them or not?'

In the early part of the 20th century there was a belief that leaders were born with certain *traits* and that only such individuals could ever be successful. Such traits included good communication and human resource skills, ambition, the ability to manage stress and a high tolerance for uncertainty.

By the middle of the century the emphasis was not just on traits but on *leadership styles* based on the view that leadership processes did not reside solely in the person, but could be cultivated as distinct patterns of behaviour. Leaders could 'learn' whether to exercise, for example, an autocratic or democratic style and indeed often learnt both good and bad 'styles' from their immediate bosses.

It was also recognized that individual leadership styles were affected by an individual's personality traits, as well as those of subordinates and the dynamics of the situations within which they work, ie a thriving vs a failing company. Indeed, Vroom and Yetton (1973) suggest that leadership is all about making decisions, creating a vision, setting goals, developing strategies to reach the goals, and making efforts with followers to achieve them. Effective leadership requires taking *situation-based decisions*. An individual will be accepted as leader by their subordinates only when their ideas, suggestions and advice are seen to be appropriate to the situation. In a sense leaders cannot be selected or trained, but only 'made' by others. Leaders are also, therefore, only as successful as their followers!

Latterly the cult of the *charismatic leader* has focused on how extraordinary leaders achieve outstanding results through follower motivation, commitment, loyalty and respect. Such charismatic leaders have powerfully attractive visions of the future and an ability to mobilize the emotions of their followers.

Today it is acknowledged that traits, behavioural styles, situations and charisma alone are not enough to make someone a successful leader. Modern leaders also need to have *cognitive, affective and administrative skills* such as the ability to diagnose problems (and suggest solutions), personal awareness, interpersonal skills and the ability to implement decisions.

## Leadership development

The general consensus is that we are all born with certain characteristics which we must learn to recognize and develop or, if necessary, compensate for. There are a variety of ways of identifying leadership talents and limitations, ranging from:

- psychometric profiling tools such as Myers–Briggs, DISC;
- 360° feedback questionnaires;
- critiques from third parties, eg non-executive directors.

Having identified leadership styles it is important to recognize what leadership approaches might best suit the leader's current organization. This can be ascertained by:

- board-level discussions;
- corporate profiling tools;
- management consultants;
- peer discussions;
- benchmarking against other organizations.

Just as all individuals aren't born with the ability to play football like Pele or George Best, or sing like Caruso or Pavarotti, people aren't all born with the ability to lead. Different personal characteristics can help or hinder a person's leadership effectiveness and most people need formalized programmes to help them develop good leadership competencies. Yet, everyone can develop their leadership effectiveness. Achieving such development takes focus, practice and persistence and is more akin to learning a musical instrument than reading a book.

Development occurs best when incorporating a variety of learning scenarios, including:

- leadership development programmes (preferably over an extended period of time, 6–12 months) covering how to take responsibility, gain focus, develop life purpose, be action orientated and develop effective and achievable goals;
- experiential learning, gained through mentoring, attending peer or sector specialist groups or shadowing more experienced individuals;
- personal development involving visioning (the development of a clear image of the aspired future for an organization), goal setting, reflective journalling, executive coaching and confidence building;
- regular challenging and mentoring by advisers such as non-executive directors or executive coaches.

## SMEs

Smaller businesses follow a similar growth pattern to larger enterprises but in miniature.

Many small business failures are caused by a lack of self-awareness, by leaders, of their strengths and limitations. Those that recognize what they do well (and don't do well) are able to build a team around them that builds on their strengths and compensates for their limitations. Indeed some, recognizing that their strengths are too narrowly focused, relinquish day-to-day control of the business to others better able to manage the differing requirements of a growing business.

Business owners must understand how to assess the qualities of their senior management teams and how well members of the teams interact with each other. Belbin (1981) suggests that every team needs a mixture of individuals with different skills to be truly successful. A mistake that leaders often make is to recruit in their own image, resulting in a surfeit of some skills but a deficit in others. Leaders can accelerate their successes when they realize that *they* don't need to have all the answers and skills but definitely need to surround themselves with those who do.

Lastly, leaders also have to recognize that individuals who have helped them achieve one stage in a company's growth cycle may not have the necessary skills to help the company move to the next stage in the cycle. Recognizing this conundrum can test a leader's loyalties and people management skills to the limit but needs to be dealt with if the company is to continue to grow.

## The challenge

Do you know where your company is in its growth cycle? When was the last time you stood back and rated your performance and that of your management team? Are you and your team best suited to running your company in its current stage of growth? If yes, great news! If not, now is the time to take action and resolve your concerns so that you, and your company, continue to achieve your strategic goals.

## References

Belbin, M (1981) *Management Teams*, Heinemann, London

Kimberley, J R, Miles, R and associates (1980) *The Organizational Lifecycle: Issues in the creation, transformation, and decline of organizations*, Jossey-Bass, San Francisco

Sheth, J and Sisodia, R (2002) *The Rule of Three: Why only three major competitors will survive in any market*, Free Press, New York

Vroom, V H and Yetton, P W (1973) *Leadership and Decision-Making*, University of Pittsburgh Press, Pittsburgh, PA

Ward, A (2002) *The Leadership Lifecycle: Matching leaders to evolving organizations*, Palgrave MacMillan, Basingstoke

Allison McSparron-Edwards, Managing Director of Consultrix Ltd, began life as a Chartered Accountant before training to become a Business Psychologist. She has worked at board level in companies of all shapes and sizes using strategy and psychology to improve commercial returns. Allison combines a shrewd business sense with the ability to understand the human issues involved in leading and managing companies; honest and forthright, she tells it how it is. Consultrix Ltd works with creative and knowledge-based companies improving profits and capital values. For more information contact: Allison on e-mail: allison@consulix.co.uk; tel: 01793 726128; website: www.consultrix.co.uk

# Learning for entrepreneurs

7.3

*How can entrepreneurs learn what they need to solve their next challenge, asks Dr Joanna Mills at the Centre for Entrepreneurial Learning (CfEL) at the University of Cambridge School*

Effective entrepreneurs need to be outstanding learners in order to start up new ventures, survive the challenges of the early years and then thrive and grow their businesses. Just what they need to learn will largely depend upon the stage of growth of their venture. For example, a technologist with a great idea will have much to learn about business and developing a commercial strategy that will successfully transition them from technologist to entrepreneur, and a CEO of a venture poised for growth will have to develop key skills to enable them to develop a team that can attract new customers and penetrate new markets. But just how might these busy individuals learn effectively when there is just so much else to do?

Often, within entrepreneurship and business, learning is most often associated with hard knowledge of finance, marketing, strategy and so on, and often the perception is that this can be best acquired through attending rigorous (and potentially expensive in terms of both cash and time) programmes at universities or through a myriad of other providers. However, just as much knowledge may be gained from other cheaper, more accessible and less time-consuming sources, if entrepreneurs are open to learning and aware of the opportunities around them.

It's also not just the hard business knowledge that's important. Exceptional entrepreneurs are also extremely self-aware, highly socially skilled (entrepreneurship is, after all, an inherently social process), action oriented, and make use of intangible tacit knowledge, intuition and instincts to make decisions on opportunities and the way in which they manage and grow their ventures. In effect they are as resourceful in terms of their soft skills as they are within their ventures!

So to have real resonance and value for the entrepreneur, learning opportunities need to include these 'ingredients' in the mix in time-effective ways that ideally will also help them in more practical ways to develop their businesses. This article sets out a collection of thoughts on sources of learning for entrepreneurs, a range of learning questions, and some tools that entrepreneurs and CEOs can use to identify and make learning opportunities effective every day.

## Self-awareness – do I know what I know?

More important than knowing what you do know is knowing what you don't! For many entrepreneurs and CEOs, and often for reasons of time, this just isn't apparent until some kind of critical event is either on the close horizon or actually occurring. These events may, of course, be positive, for example recruiting the first member of the team when you need to start considering employment contracts and human resource processes; but often they are not, and the more serious, such as losing a critical customer, have a serious impact on the venture and at this point any kind of intervention may be too late.

So what can the entrepreneur or CEO do to develop self-awareness? Well, actually quite a bit. To start, CEOs and entrepreneurs need to be disciplined and objective about their own strengths in terms of skills, knowledge, personal style and the way they lead their ventures, and also realistic about what is missing; only through this can they think clearly about whether they look to develop themselves to fill the gaps or look to others, either members of their team, or external support from advisers or mentors, before these critical events occur. Getting feedback from others and embracing it can be both insightful and valuable here. Do they see you in the same way that you see yourself? Those who are self-aware will reflect on this to really understand what it means.

Self-awareness is also about being totally tuned in. So listen closely to what team members and others are saying and also listen to yourself – regularly, and reflect upon not only what you say but also whether you listened, and listened well. Listening and self-awareness are foundation stones of not only entrepreneurial leadership but business leadership in general, so these should be carefully nurtured. Not only that, but good listening, especially when interacting with customers, can mean that entrepreneurs don't miss out on valuable business opportunities.

## Hard knowledge – customers and competition

Ventures grow through building customers, and so learning from them (whether they be current, potential or those who have been lost along the way) is fundamental for growth, and really learning from them means actually interacting with the right questions in mind as well as listening to their responses.

For existing customers, learning why they buy from you, how you can build upon and improve the business relationship, who the decision makers are and what their 'hot buttons' are, and whether there might be other products or services that are relevant for them, are all fundamental to developing the value proposition. With potential customers it's more about understanding needs and problems and who to connect with, but for lost customers there's much to learn from why they moved away.

Learning from employees is also vital in this respect – especially those on the frontline, who interact with customers on a regular basis. Encouraging them to be alert to the same questions is part of the key to this learning, but more importantly the role of the entrepreneur or CEO is to create an open environment where this learning and knowledge can be shared, acted upon and embedded within the venture for the longer term.

Taking a long hard look at competitors also yields much knowledge for the entrepreneur. Although it may be hard to access detailed customer information without resorting to unethical means, much can be learnt from what is openly available, such as market data, product information, marketing material, job adverts, annual reports, case studies and so on, and much can be learnt about the way they do business, the way they operate, the levels of service they provide and so on. Questioning this information and asking why they are effective in what they do is a valuable part of learning which can help an entrepreneur to differentiate their value proposition effectively from that of others.

## Networks – social and collaborative learning

As mentioned earlier, entrepreneurship is an inherently social process, so learning opportunities and approaches that arise from social interactions may well be more apt for the entrepreneur than embarking on a solo learning activity. We have already discussed learning from specific social interactions within a venture or with customers, but wider business networks also have a role to play. Network groups (both online and face to face) are an obvious start point, and all entrepreneurs are encouraged to be a part of a business network group either locally or within their industry sector. International networking opportunities through either conferences or online forums have obvious additional benefits for ventures seeking growth into international markets, both in terms of avenues to opportunities and also in terms of general international business knowledge and cultural dimensions.

In the UK we have a proliferation of networks, many of which organize events with eminent guest speakers from which one can learn about a particular topic; however, the most important feature of a network for the learning entrepreneur is that you have the possibility to meet and connect with other entrepreneurs who are in similar situations and often facing similar challenges and dilemmas of growth. Some networks may also arrange small, confidential but informal discussions where participants can openly discuss the real challenges and learn from each other in relaxed but facilitated, trusting and safe environments. Even if such learning opportunities are not openly provided, developing your own social capital and building personal contacts with other entrepreneurs can result in both a valuable support network and the opportunity for peer-to-peer learning, which also counteracts the feelings of isolation.

## Experience – your own and that of others

Experience is central to the way in which entrepreneurs learn, and the link between experience, knowledge, learning and action is well documented and researched. Entrepreneurs learn through their own experiences of how they deal with the complex challenges of daily entrepreneurial life and gradually build up stocks of knowledge and skills, but they also learn through the 'critical incidents' mentioned earlier where

there is scope to learn from the actions and approaches they take and what works and what doesn't.

Although learning from experience may seem very individual, real consolidation of this learning arises through reflecting upon it and actually articulating and sharing both the experience and the learning from it either with peers or, for example, coaches and mentors. This sharing also has the added benefit of perhaps hearing the experiences of others, but also of the support and encouragement it can provide.

As well as learning from one's own experience, all around us there are role model entrepreneurs from whose stories there is much to learn from how they have tackled the challenges of start-up and growth, the mistakes they have made and what they have learnt. There are many example role models freely available on the internet as videos, through their blogs or through their biographies published as books – these are usually the ones who have had stratospheric success, but there is also much to learn from role models who are only a few steps ahead and have recently emerged from one of the many challenges of start-up or growth and whose perspective may have a rawness and freshness that provides a powerful learning perspective.

Whether the 'learning' entrepreneur has the opportunity to talk directly with role model entrepreneurs or watch or read what they have to say, much can be learnt from considering, for example: what personal factors enabled them to navigate the challenges successfully; what approaches were effective for them in working with customers, their team and other stakeholders in their ventures; and probing the why. The ability for entrepreneurs to relate to role models and pick up on both the verbal and tacit knowledge gained and then to consider how they might apply this learning to their own situations is a truly valuable learning skill.

## Learning to learn – entrepreneurially and effectively

All of the ideas above are common sense and freely available to all entrepreneurs alongside the more formal learning programmes. So what is the secret of the most effective entrepreneurs who are outstanding learners?

At the heart lies the fact that they have learnt to learn. The skills, knowledge and learning that they might require to run a start-up, a new venture in its early years, or a growing business may be different at each step, but these effective entrepreneurs have embarked on a learning journey alongside their entrepreneurial adventure. To truly learn, entrepreneurs need to be open to learning at all times, being alert and recognizing opportunities for learning just as they originally recognized the opportunity for their venture. Just as business opportunities are all around us all of the time, so are learning opportunities. Entrepreneurs need to build a full awareness of this and of their own processes and methods of learning. Not only that, but entrepreneurs must actively participate in learning, by sharing openly (within the limits of any confidentiality, of course) and contributing to collaborative learning and through an extreme attentiveness to the contributions of others, what they read and hear from role models, customers and others.

Finally, reflection is important. Entrepreneurs should take time to reflect on the actions they have taken and the experiences they have and write these down in a journal or electronically to ensure that their significance and the learning are not lost, and to capture ideas and action plans for future personal entrepreneurial learning and development.

Dr Joanna Mills is Deputy Director of the Centre for Entrepreneurial Learning (CfEL) at the University of Cambridge Judge Business School and Programme Director of the Postgraduate Diploma in Entrepreneurship. CfEL aims to spread the spirit of enterprise to both the University of Cambridge community and to wider national and international audiences through the creation and delivery of a range of educational activities that inspire and build skills in the practice of entrepreneurship. The Postgraduate Diploma in Entrepreneurship is a highly practical one-year, part-time programme designed specifically for entrepreneurs to nurture their entrepreneurial ambitions and enable new ventures through an academically rigorous, directly relevant and highly practical learning experience which draws in the ideas described above. Further details: tel: 01223 766900; e-mail: j.mills@jbs.cam.ac.uk; website: www.cfel.jbs.cam.ac.uk

# Too much control, too little freedom? The case of the micro-manager

7.4

*Recognizing the impact of management style is pivotal for sustaining innovation and growth, says Professor Ken Russell at Aberdeen Business School*

## Some initial questions

Could you be a micro-manager and not realize that this is the case? (Most micro-managers are unaware of their behaviour and its consequences)

Do your personal insecurities about the success of your business tip into an obsessive compulsive disorder where you are continually meddling in the work of your staff?

Is your management behaviour dysfunctional to the extent that it is damaging to your health and wealth?

Micro-management is often mentioned in everyday language and yet it is not a term that often crops up in academic journals (other than it being related to the management of micro firms). This short article is an attempt to decode micro-management as management style. One of the motivations that SME owner-managers have in setting up their own business is that they feel stifled in a corporate context and have a desire to have more control over their own destiny. A potential danger inherent in the desire for control is that this can translate into a situation where micro-management prevails. Here we examine situations where micro-management may arise and consider the detrimental effects. The aim of the chapter is to provide some issues for reflection and perhaps initiate some changes in management style if deemed appropriate.

Performance management in its broadest sense can be achieved through some combination of plans, standards, values, objectives, targets and supervision, with related staff development to support business development. If planning and the setting of standards are less well developed in a growing business, much of what drives performance will relate to the direct interventions and values enacted by the owner-manager. A lack

of appropriate management information systems may also result in frequent interactions to check on progress. In an attempt to maximize flexibility there can be a danger that supervision becomes the dominant mode of performance management and the resulting level of supervisory interactions may become overbearing. A failure to develop staff and give them appropriate levels of responsibility and commensurate authority will ultimately form a brake on business development.

## What is micro-management and how does this relate to management style?

Fundamentally, management style is a term that is used to describe how managers make decisions and how they interact with subordinates.[1] In essence, micro-management involves disempowerment and taking decisions away from those who could usefully make them. There are a few things that employees universally expect and deserve in their roles at work:

- They want to know what is expected of them – that they feel responsible for outcomes.
- They want the tools to do the job (resources, training and development).
- They expect to get feedback on how they are doing and support to help improve things.
- They want to be recognized and rewarded for their contribution (this could include promotion among other things) – they want to have a meaningful sense of the significance of their job.

A useful starting point is to consider how recipients of micro-management may feel as a result of the style of their managers. Micro-management will undermine the expectations outlined above and will result in some combination of the following:

- Staff feel a lack of trust and respect in them to do the job.
- There is diminished scope for personal growth owing to a lack of effective delegation.
- Staff do not feel a sense of ownership for success,[2] leading to a lack of confidence and hence a self-fulfilling prophesy (and learnt helplessness) that they not be able to complete tasks effectively.
- There is a blurring between what is their job and that of the manager, often due to the manager retrieving tasks from the subordinate to do themself rather than developing the member of staff to complete the task.
- There is no formal training given to staff and it is often fragmented, done grudgingly or half-heartedly owing to a lack of patience.
- There is a strong sense that the manager is meddling/checking up on progress too frequently and questioning the work of staff.
- The manager operates on the basis of fear.

In summary, the consequences will be demotivation, higher staff turnover (especially of the more capable staff), lower performance (partly due to wasted time consumed in micro-management), lower levels of innovation and hence slower growth of the business than would otherwise be possible, and a vicious circle that is not broken without some genuine reflection on what is happening.

**Points to ponder**

Do you observe any of these symptoms in your own organization?

Are you willing to do something about the causes of the symptoms?

Do you realize that your job is about creating the environment in which things get done rather than directing and controlling everything?

Are you deluding yourself about the true state of affairs with respect to your management style?

One of the inherent problems with micro-management is that often the perpetrator is unaware that they are micro-managing and they will see their own actions as being entirely driven by good intent, for example to provide a speedy service to their customers.

## How to recognize if you are a micro-manager

The following questions will help you to reflect on whether you have micro-management tendencies:

- Nobody likes to be labelled as a control freak but do you feel a need to know what members of your staff are doing on a frequency that is measured in minutes and hours?
- Are you snowed under with work because you do not have an effective process for delegation – how often do you find yourself deciding that it is quicker for you to do the work yourself than to explain how to do it to a member of staff?
- Do you specify how to do things as well as what needs to be done so that there is no room for staff to demonstrate initiative or be creative?
- Are you aware of the unique value-added contribution that different roles bring to the success of the company (do you avoid role ambiguity and overlap)? (There is an old adage of why keep a dog and bark yourself – not that I am insinuating that employees are dogs but there is a danger of hiring someone and then effectively doing their job for them because you cannot let go.)

- Are you a perfectionist and think that nobody else could do the job as well as you?
- Do you dwell overly on details and fail to see the big picture such that you are in constant dialogue with staff, which benefits your desire to know the minutiae but it does not help them to function in their role as it is merely a distraction?
- Do you perceive that members of staff are keeping their heads down in an attempt to avoid contact with you, ie they do not want another grilling and to engage in yet another round of explanations?
- Do you feel that you are indispensable (even though you own the company) and that nobody else could do the job as well as you given that you started the business and built it up to be what it is today (as opposed to what it could become)?
- Are you clear why staff are leaving your company and then perhaps perform well elsewhere?

If you really want your business to grow, it is important to spend some time reflecting on the questions outlined above. Without this reflection it is likely that some of the patterns/habits (for that is what they are) will not get broken. Change will only be possible when there is a willingness to let go and trust in others to do the right thing. Once there is a recognized need for change and the desire for it to happen, you can move forward. The following section of the chapter is an attempt to provide some guidance on what to do to break the vicious cycle of over-managing and under-performing.

## How to avoid micro-management continuing to be an issue

The 10 points below are intended to address the causes of micro-management. The choice of those that are worth pursuing for you will depend on the analysis arising from the questions presented in the previous section and the current situation in your organization:

1. *Recognize that you are not the only person who can accomplish things.* If you are content with the business as it is, don't bother to read the rest of this chapter. If you desire growth and a sustainable business, you have to delegate and trust others.
2. *Determine what you can delegate and design jobs around this.* This process is not about working with a piecemeal collection of activities – it is about creating genuine roles that have delegated responsibility and authority for the achievement of outcomes.
3. *Hire the right people.* Jim Collins in his book *Good to Great* stressed the importance of getting the right people on the bus. Make sure that you create a process that delivers a good fit between the requirements of the business and whom you hire. If you really want to grow you may well have to hire at a more senior level rather than expect people to grow into the role.

4. *Induct staff.* New staff need to know what is expected of them and what is acceptable performance – provide the parameters for performance rather than over-specifying the 'how'. Of course, there may be procedures that must be followed in the conduct of business; however, you should look to draw on the incoming expertise and experience to develop improvements.
5. *Don't give staff challenges and then solve them yourself.* Staff need the space to learn how to solve problems and tackle opportunities themselves. Focus on the 'what' that needs to be done and less on the 'how' when initiating a new project or objective. Encourage them to discuss solutions with you but don't take the learning opportunity away from them even if you could solve the challenge quicker yourself – always remember that it is their job and not yours.
6. *Be tolerant!* Staff will inevitably do things in ways that are different from how you might approach tasks/projects and make 'mistakes'. Treat these differences and mistakes as opportunities to learn.
7. *Build in training for staff.* Recognize that staff development will contribute to business development if properly targeted.
8. *Communication is a two-way street.* Seek feedback on how you can help to provide support but limit the frequency so that you are building confidence and not undermining it. Agree the frequency for feedback meetings. Give praise sincerely and publicly when it is due and give constructive developmental feedback in private.
9. *Use conversations to motivate people.* Address the concerns of your staff and value their input.
10. *Reflect on your practice as the owner-manager.* Recognize that as the business grows, the initial 'star culture' where everything flows through the founder cannot be sustained. You have to be prepared to delegate and watch out that those to whom you delegate don't become micro-managers themselves.

## Summary

This brief chapter has hopefully stimulated some reflection on your management style (or that of your direct reports) and raised your level of self-awareness on the impact of this style on your staff, your personal well-being and the wealth-creating ability of your business. A number of symptoms, causes and preventative measures have been presented to help to counter and remove micro-management behaviours. It is important to take steps also to avoid 'back-sliding' into dysfunctional behaviour, so reflection on practice must be ongoing. Micro-management is never a good thing as it does not empower staff to be the best that they can be in contributing to building your business.

# Notes

1 See, for example, Tannenbaum and Schmidt (1973).

2 See, for example, Martin (2002) or Manzoni and Barsoux (2002).

# References

Tannenbaum, R and Schmidt, W H (1973) How to choose a leadership pattern, *Harvard Business Review*, May–June, p 167 (autocratic, paternalistic, democratic, and laissez-faire styles)

Martin, R (2002) *The Responsibility Virus: Stop taking charge or taking orders and start making critical decisions*, FT Prentice Hall, Harlow

Manzoni, J-F and Barsoux, J-L (2002) *The Set-Up-To-Fail Syndrome: How good managers cause great people to fail*, Harvard Business School Press, Boston, MA

Professor Ken Russell is the Associate Dean at Aberdeen Business School, Robert Gordon University, responsible for corporate and MBA programmes. He holds a BSc and PhD in engineering from the University of Newcastle upon Tyne and an MBA from London Business School. He has worked in the pharmaceutical industry, public sector and in management consulting. His key interests are in strategic performance management, managing change and innovation. Ken can be contacted via e-mail: k.russell@rgu.ac.uk

Aberdeen Business School is one the leading providers of management and professional business education in Scotland. Robert Gordon University has achieved a number of recent accolades, including Best Scottish University, Best Modern University, and is continually in the top rank for graduate employment in the UK.