

Knowing when to step back

>> When is the right time for an entrepreneur to hand over the reins of their company?

British venture capitalist Jon Moulton said in a recent *Financial Times* interview that “an entrepreneur should get out, or be pushed out, when someone else could do the job better.” He qualified his remark by stating that the founder might not always agree with the views of those who deem it is time for a change. There is certainly no shortage of company founders out there

who claim to have been unfairly ousted from the role of Chief Executive (CEO) of their own company by their investors.

However, a transition in the role of the company founder does not have to end

in tears. For the past 25 years Cranfield has worked with some 1300 owner-managers on the Business Growth Programme (BGP). In that time we have seen many entrepreneurs successfully manage a change in leadership, both for themselves and their businesses. We have observed many times, the transition from CEO to Chairman which is when, in the words of one very successful Cranfield entrepreneur: “You exchange the problems of managing the business for the problems of managing the board.”

Very few people combine the qualities needed to lead a business throughout its lifecycle. The managerial skills required in the early days of start-up and growth are markedly different from those needed to run a mature, steady-state operation. Entrepreneurs who thrive on the

excitement, pace and unpredictability of launching a business soon become bored and disenchanted with a business that’s grown-up. However, it is not always clear to the founder what the root cause of their frustration is, and there is often no-one in the business who is prepared to tell them.

Signs that it is time to change

Boredom is a classic sign of a need for change. A bored entrepreneur is a dangerous beast, inclined to meddle in things that are working perfectly well and usually better understood by the people responsible for them. Employees will tell you off the record that the business works better when the boss is not around.

No longer understanding the business at a granular level, is another sign that it is time to change. In the early days the entrepreneur holds the business in the palm of their hand. As it grows, this becomes increasingly difficult. Those who remain obsessively involved in the detail can delay decision-making, alienate the management team and ultimately, prevent the business from growing.

Change is also needed when the CEO role is stifling an entrepreneur’s talents. If someone is really good at envisaging the future and solving problems creatively,

those are the things they should be spending their time doing.

Recruiting a successor

Those who have stood down as CEO to become Chairman of the company they started will tell you that recruiting the right successor is crucial. Given what is at stake, it should be professionally managed, based on a carefully-crafted job description and may take many months of painstaking interviewing to complete. Even those who approach it in this spirit admit to making mistakes. When the appointment is filled, the entrepreneur needs to manage their own expectations accordingly. “You’ll think they’re doing 50% of what you used to do, and taking twice as long,” one savvy founder and non-executive Chairman told me. “As Chairman, your job is to create absolute clarity over their objectives and measures and support them in their role if they’re delivering. If they’re not, your job is to sack them. Otherwise, get out of their way!”

Becoming Chairman

The second key element in the transition process is adapting to your new role. Some entrepreneurs seek experience first as non-executives on the boards of other businesses, where they can get to

grips with the dynamics of a board more dispassionately. Others will combine this with some expert mentoring. More often than not, founders will begin as executive chairman and move gradually to a non-executive role, a common progression if they are considering selling and need to show that the business can run independently of them. Our observations suggest that rather than filling a common, pre-determined format, chairmen of entrepreneurial businesses feel their way into what the particularities of the business require of them.

For those founders who feel the need for change, stepping up to chairman is not the only option. However, for many it makes sense and opens a new and rewarding chapter in their business career. Taking a step back could be the best thing you ever do for you and your business. **MF**

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